



*OFFICE OF THE
CITY AUDITOR*

**AN AUDIT OF THE
CITY'S NON-PERSONAL EXPENDITURES
FOR FISCAL YEAR 1985-86**

*A REPORT TO THE
SAN JOSE
CITY COUNCIL
FINANCE COMMITTEE*



GERALD A. SILVA
City Auditor

CITY OF SAN JOSÉ, CALIFORNIA

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SAN JOSE, CALIFORNIA 95110
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June 24, 1987

Honorable Mayor and Members
of the City Council
801 North First Street, Room 600
San Jose, CA 95110

Transmitted herewith is a report on *An Audit of the City's Non-Personal Expenditures for Fiscal Year 1985-86*. This report is in accordance with City Charter Section 805(a).

An Executive Summary is presented on the blue papers in the front of this report while an Administration response is shown on the yellow pages.

I will present this report to the Finance Committee at its August 5, 1987 meeting. If you need additional information in the interim, please let me know. City Auditor staff who participated in the preparation of this report are Jeffrey Mikles and Nestor Baula.

Respectfully submitted.

Gerald A. Silva
City Auditor

GS:mlt
EXSUM030

cc: Gerald Newfarmer, City Manager
Les White, Assistant City Manager
Susan George, Deputy City Manager
Edward Schilling, Director of Finance
Emily Harrison, Chief of Accounting
Joan Gallo, City Attorney
E. H. Braatlien, Director of Water Pollution Control Plant

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EXECUTIVE SUMMARY

In accordance with City Charter Section 805 (a), the Office of the City Auditor has conducted an audit of the City's Non-Personal Expenditures for Fiscal Year 1985-86.

Our audit for 1985-86 disclosed that:

- o The City incurred estimated losses of \$53,200 in lost discounts, which is 35 percent less than the \$81,900 in estimated losses for the 1984-85 fiscal year.
- o The City incurred estimated losses of \$800 from overpayments, which is 98 percent less than the \$40,300 in estimated losses for the prior fiscal year.
- o The number of late payments increased in our random sample by 445 percent over the number found in our sample for the prior fiscal year. Further, our judgmental sample revealed that the City paid at least \$1,390 in late penalty charges.
- o There were instances of noncompliance with City internal control procedures, but they did not result in the loss of City funds.
- o All five recommendations from our prior audit have been satisfactorily implemented.

Our audit revealed that the value of lost discounts and overpayments has decreased significantly because of the improved accuracy of payment voucher preparation and review. However, lost discounts continue to result from City department delays in processing documentation on goods and services

received. Based on our review, it is evident that closer monitoring is required to ensure that vendor-offered discounts are acquired.

The audit also disclosed that the number of late payments has significantly increased and some late charges were paid. While the City in general did not suffer because of late payments, they may prove to be detrimental over the long run.

Moreover, the audit disclosed a limited number of internal control exceptions concerning deficient approval signatures, inadequate supporting documentation, and incorrect account codes. It appears that these exceptions were isolated instances and not symptomatic of systemic deficiencies.

RECOMMENDATIONS

We recommend that:

Recommendation #1:

The Finance Department-Accounts Payable Section promptly report to the appropriate City Department Head any lost discounts over \$200 which his or her staff caused by not submitting receiving documents to Purchasing or Accounts Payable in a timely manner. (Priority 3)

Recommendation #2

The Office of the City Manager require the City departments, the Purchasing Division, and Finance-Accounts Payable to 1) date invoices, receiving documents, and payment vouchers when received and when forwarded and 2) explain on the payment voucher any payment delays in excess of a specified number of days. (Priority 3)

Recommendation #3

Finance-Accounting determine the proper accounting treatment of the transactions affecting the Clean Water Financing Authority Payment Fund and record the transactions accordingly. (Priority 3)

BACKGROUND

The Finance Department, the General Services Department - Purchasing Division and the City department making the purchase each have specific responsibilities for documenting discount terms and payments to vendors who supply goods and services. Different procedures and documentation apply for different purchases depending on the type of goods or service and the urgency of the purchase. ATTACHMENTS 9 through 14 describe the procedures and documentation required in each circumstance and are summarized below:

Open Purchase Orders (ATTACHMENT 9)

City departments use Open Purchase Orders to purchase frequently ordered items. Open Purchase Orders specify a vendor, period of time and pre-determined dollar amount. Departments use Partial Payment Vouchers to pay for Open Purchase Order purchases.

Itemized Purchase Orders (ATTACHMENT 10)

City departments usually use Itemized Purchase Orders to purchase goods or services in excess of \$100. The departments issue a completed requisition form to the Purchasing Division. The Purchasing Division selects the vendor and issues an Itemized Purchase Order to the vendor prior to goods being delivered or services provided.

Confirming Purchase Orders (ATTACHMENT 11)

City departments use Confirming Purchase Orders to acquire urgently needed goods or services when time constraints preclude using an Itemized Purchase Order.

Special Payment Demands (ATTACHMENT 12)

City departments use Special Payment Demands to pay specific obligations listed in Section 202.8A of the City Administrative Manual. Examples of Special Payments are: establishing or increasing a petty cash or change fund; bond interest or redemption payments; payments made in settlement of legal claims; payments for utilities, telephone and insurance premiums.

In general, City departments prepare purchase requisitions for goods and services and forward them to the General Services Department-Purchasing Division for order placement.

The Central Warehouse receives most ordered goods. However, all services and certain goods are delivered directly to the requesting department. The Purchasing Division determines which goods may be delivered directly. Either the Central Warehouse or the receiving Department checks the goods received against the vendor's packing slip or prepares a receiving report if a packing slip is not available. Departments check services rendered against vendor work slips.

City departments are responsible for preparing payment vouchers and indicating the discount terms on them, compiling the packing/receiving documents to support the payment request, and forwarding all the documents to the Purchasing Division within 24 hours of receipt of goods. After reviewing and approving the payment request, the Purchasing Division forwards the documents to the Accounts Payable Section.

The Accounts Payable Section in the Finance Department pre-audits the voucher and documents for correct computation, payment terms and discounts. After approving the vouchers for payment, the Accounts Payable Section batches the vouchers and forwards them to General Accounting for recording and then to the Information Systems Department for processing. Once a week, Information Systems prints the checks to pay the vendors.

A manual check writing procedure is also available to take advantage of purchase discounts and to pay other bills which do not fall under the normal procedures described above. These checks may be for such items as:

- Taxes with due dates,
- Payments to take advantage of purchase discounts,
- Travel advances,
- Registration fees, and
- Department requests for sundry emergency payments.

AUDIT SCOPE

During fiscal year 1985-86, the Finance Department issued 41,169 checks and electronic fund transfers representing payments of \$271 million. Our audit objectives were to

- 1) determine whether Finance and the other City departments complied with established City policies and procedures, and
- 2) assess the adequacy of these policies and procedures. We selected for audit both random and judgmental samples of checks and electronic fund transfers. Overall we reviewed approximately 1,500 checks and electronic fund transfers with an aggregate value of \$191.4 million. This sample size represents about 3.6 percent of the total checks and electronic fund transfers processed and over 70 percent of the total value paid out.

Our audit samples were as follows:

- Random Sample of 564 checks. We selected a random sample of 564 checks from all computer printed checks of less than \$100,000. The aggregate value of the checks in our random sample was \$1.8 million. We used this random sample as the basis for our statistical projections for lost discounts, overpayments, and late payments.
- Judgmental Sample of 923 checks and electronic fund transfers:
 - We reviewed the documentation for all 409 checks and electronic fund transfers for \$100,000 or more. These payments totaled \$185.7 million.
 - We also selected 514 other checks, with a total value of \$3.9 million, which were manually prepared or represented petty cash and revolving fund reimbursements.

The results of our audit of non-personal expenditures for the fiscal year ended June 30, 1986 are summarized in ATTACHMENT 1, together with the previous fiscal year's audit results. As shown in ATTACHMENT 1, we found less exceptions in four of the eight types of exceptions tested. The only significant increase was in the number of late payments which increased 445 percent compared to the previous year.

FINDING I

THE DOLLAR VALUE OF LOST DISCOUNTS IN 1985-86 WAS SIGNIFICANTLY LESS THAN 1984-85, BUT CITY DEPARTMENTS STILL NEED TO BE MORE RESPONSIVE

Based on our projections, the dollar value of lost discounts during 1985-86 is 35 percent less than 1984-85. In our random sample, we identified \$745 of vendor-offered discounts which were lost because of City department delays in the documentation and/or payment process. Based on our sample results, we project that the City lost between \$13,409 and \$92,979 in discounts during 1985-86, with the most probable loss being \$53,200. This is significantly less than the projected discount loss of \$81,900 during 1984-85. The lost discounts from our random sample ranged from \$0.24 to \$230.02. Due to the wide range of our sample results, our estimate of actual losses is of necessity inexact. In addition, our judgmental sample of 923 checks identified \$4,623 of vendor-offered discounts that were not taken because of similar processing delays.

Vendor-Offered Discounts

In general, vendor-offered discounts should be pursued whenever it is cost-effective to do so. Vendor-offered discounts are reductions in invoice amounts allowed by vendors to encourage their customers to pay their bills promptly. For example, a vendor may allow the City to deduct two percent from

the purchase price if the City pays the amount within 10 days from delivery of the goods. Therefore, lost discounts represent lost opportunities to save money.

Value of Lost Discounts Reduced

In our random sample, we found that 1) the number of discounts lost in 1985-86 was greater than in 1984-85, (See ATTACHMENT 2), but 2) the projected total dollar value of the lost discounts was less. The reason for this apparent inconsistency is that the dollar values of the discounts lost in 1985-86 were considerably less than in 1984-85. Accordingly, the projected total dollar value of lost discounts in 1985-86 decreased from \$81,900 in 1984-85 to \$53,200, a reduction of 35 percent. TABLE I summarizes and contrasts the lost discounts for both fiscal years.

TABLE I
SUMMARY OF LOST DISCOUNTS IN
1984-85 AND 1985-86

| <u>FY</u> | <u>Number of Discounts Lost</u> | <u>Number Greater Than \$100</u> | <u>Sample Dollar Value</u> | <u>Projected Losses Due To Lost Discounts</u> |
|-----------|---|--|------------------------------------|---|
| 1984-85 | 17 | 3 | \$1,371 | \$81,900 |
| 1985-86 | 28 | 1 | \$ 745 | \$53,200 |

It should be noted that the Finance Department did implement the five recommendations the City Auditor made last year concerning payment voucher processing (See ATTACHMENT 8). Of these five recommendations, one was to provide feedback to the City departments on their level of compliance with payment request policies and procedures. The Accounting Division designed and implemented a quarterly report of payment request errors, delays and other related deficiencies. This report allows each City department to monitor and improve its own performance in preparing accurate and timely payment requests. This may account for the significant reduction in projected losses due to lost discounts shown in TABLE I.

Departments Still Need To Be More Responsive

Despite improved performance, City departments need to process receiving documentation in a more timely manner. According to the Finance-Accounts Payable staff, City departments have been slow in forwarding receiving documentation to Purchasing, which ultimately slows down purchasing approval notification to Accounts Payable. In the random sample, 12 of the 28 items were delayed at General Services while the remaining 16 items were delayed at 8 different City departments. In the judgmental sample, we found that 6 of the 24 items were again delayed at General Services with the remaining 18 items delayed at 10 different City departments. (A letter from General Services explaining the two largest lost

discounts of that department is shown in ATTACHMENT 18). As a result, we project that the City did not take advantage of \$53,200 in vendor-offered discounts. Departments should correct their procedures to enable the City to take advantage of vendor-offered discounts. In order to facilitate necessary corrections, the Finance Department-Accounts Payable should promptly report to the appropriate City department Head any lost discounts in excess of \$200 which his or her staff caused by not processing documents in a timely manner.

CONCLUSION

The projected total dollar value of lost discounts decreased 35 percent from \$81,900 in 1984-85 to \$53,200 in 1985-86. This improvement appears to be due in part to Finance's implementation of prior audit recommendations. Lost discounts were the result of the City departments not processing receiving documentation in a timely manner. Based on our review, it appears that the City could take advantage of additional vendor offered discounts if City departments expedited the processing of receiving documentation to Purchasing.

RECOMMENDATION

We recommend that:

Recommendation #1:

The Finance Department-Accounts Payable promptly report to the appropriate City department Head any lost discounts over \$200 which his or her staff caused by not submitting receiving documents to Purchasing or Accounts Payable in a timely manner. (Priority 3)

FINDING II

OVERPAYMENTS HAVE BEEN SIGNIFICANTLY REDUCED BUT LATE PAYMENTS HAVE SUBSTANTIALLY INCREASED

Based on our projections, the City's total loss from overpayments for 1985-86 is 98 percent less than our loss estimate for 1984-85. In our random sample, we found overpayments totalling \$11.20. Based on our sample results, we project that the City's total loss from these events was between \$50 and \$2,200, with the most probable loss being \$800. This amount is significantly lower than the projected loss of \$40,300 for 1984-85 and can be attributed to improved accuracy in the preparation and review of payment vouchers. However, the number of late payments in our random sample for 1985-86 increased by 445 percent over the number in our sample for the prior fiscal year. Further, our judgmental sample of checks revealed penalty charges of \$1,390.

Overpayments

In our random sample, we found that the total number and value of overpayments declined from 1984-85 to 1985-86. Due to the decreased value of the overpayments in our sample, the projected losses for 1985-86 decreased 98 percent to \$800 from the projected losses of \$40,300 for 1984-85. TABLE II summarizes and contrasts the overpayments for both fiscal years.

TABLE II
OVERPAYMENTS
1984-85 AND 1985-86

| <u>FY</u> | <u>Number</u> | <u>Sample Value</u> | <u>Projected Losses</u> |
|-----------|---------------|---------------------|-------------------------|
| 1984-85 | 7 | \$1,766 | \$40,300 |
| 1985-86 | 4 | \$ 11 | \$ 800 |

Based on our sample, it is evident that the accuracy level of payment voucher preparation and review has improved since our last audit.

Late Payments Have Increased

In our random sample, we found that the number and projected value of late payments made in 1985-86 greatly exceeded the number and projected value of those made in 1984-85. TABLE III summarizes and contrasts the late payments for both fiscal years.

TABLE III
LATE PAYMENTS
1984-85 AND 1985-86

| <u>FY</u> | <u>Number</u> | <u>Sample Value</u> | <u>Projected Payments</u> |
|-----------|---------------|---------------------|---------------------------|
| 1984-85 | 14 | \$ 237,838 | \$ 625,215 |
| 1985-86 | 96 | \$2,064,102 | \$7,816,563 |

Using 40 or more days from the receipt of goods or services (or invoice date, if later) as our lateness criterion, we identified as being late 61 checks from our random sample of 564 checks and 35 checks from our judgmental sample of 923 checks. The number of late payments represents a 445% increase over the number found in the random sample for the prior fiscal year. The 61 checks were issued from 42 to 219 days after receiving the goods or services (See ATTACHMENT 4). The 35 late checks from our judgmental sample were issued from 41 to 312 days after the receipt of goods or services (See ATTACHMENT 4).

According to the City departments surveyed, the 96 late payments noted in our audit were late for reasons described below:

| <u>Reason for Late Payment</u> | <u>Number of Payments</u> |
|--|---------------------------|
| Incomplete documentation on the part of vendor | 17 |
| Staff incurred delays | 20 |
| Staffing shortages | 12 |
| Deficient or inadequate vendor performance | 9 |
| Incomplete delivery of goods or services | 3 |
| Other reasons | 10 |
| Unknown reason for delay | <u>25</u> |
| Total late payments | <u>96</u> |

Details of the departmental explanation for the late payments are shown in ATTACHMENT 15.

Investigation of the causes of the late payments was hampered because of 1) the lack of consistent date-stamping and 2) the lack of documentation explaining the delays. Finance does not date-stamp invoices when they are received from vendors or forwarded to the departments. Although some departments date-stamp the invoices when received from Finance or the vendor, this practice is not followed City-wide. Purchasing date-stamps the payment vouchers received from departments, but does not date-stamp them when Purchasing forwards them to Finance. Although Finance date-stamps the payment vouchers the day the vouchers are paid, Finance does not date-stamp the payment vouchers when they are received from the departments or from Purchasing. Finally, the departments, Purchasing, and Finance do not indicate on the payment documents the sources and reasons of delays in payment. Consequently, it is often not possible to ascertain where and why the delays occurred. To facilitate future management review, the City departments, the Purchasing Division, and Finance-Accounts Payable should 1) date invoices, receiving documents, and payment vouchers when received and when forwarded, and 2) explain in the payment voucher any payment delays in excess of a specified number of days.

Interest Charges or Penalties

During our 1984-85 review, we did not find any interest charges or penalties resulting from late payments in our judgmental sample. However, we found two such items in our judgmental sample for 1985-86. On one item, the City paid a late payment penalty of \$2.06 on a payment that was 312 days late. On the other item, the City paid \$1,388.81 in delinquency charges for late payment of state sales and use taxes. Both payments represent a loss of \$1,390 to the City (See ATTACHMENT 3).

In general, except for the late charges cited above, it appears that the City has not suffered monetarily from making late payments. However, over the long run this may prove to be a detrimental practice. Continued slow payments may erode vendor relations or result in future vendor price increases or the application of penalty and interest charges.

CONCLUSION

Our review reveals that the City's projected loss from overpayments for 1985-86 is significantly smaller than our loss estimate for the prior fiscal year. The improvement can be attributed to improved accuracy in the preparation and review of payment vouchers. Conversely, the number and value of late payments in our random sample for 1985-86 increased substantially

over the number and value of our 1984-85 sample. Further, the City lost at least \$1,390 due to the payment of late penalty charges. Overall, the City has not suffered from the late payments but may in the future.

RECOMMENDATION

We recommend that:

Recommendation #2:

The Office of the City Manager require the City Departments, the Purchasing Division, and Finance-Accounts Payable to 1) date invoices, receiving documents, and payment vouchers when received and when forwarded, and 2) explain on the payment voucher any payment delays in excess of a specified number of days. (Priority 3)

FINDING III

NONCOMPLIANCE WITH CITY PROCEDURES FOUND BUT NO CITY FUNDS WERE LOST

Our review of non-personal expenditures disclosed incidences of noncompliance with City internal control procedures but none resulted in a loss of City funds. The internal control exceptions concerned deficient approval signatures, inadequate supporting documentation, and incorrect account codes. Due to the limited number of exceptions, it appears that they are not the result of system deficiencies.

Deficient Approval Signatures

Within our random sample of 564 checks, we identified three checks with supporting documentation which lacked required approval signatures (See ATTACHMENT 5). In all three instances, the receiving tag or invoice was not signed by the person authorized on the purchase order.

From our judgmental sample of 923 checks, we identified two deficient payments. In one, the partial payment voucher was not signed, and in the other, an invoice was not signed by the person authorized on the purchase order. Regarding the unsigned voucher, we verified that the \$148,500 payment to Ticor Title Insurance had an approved Miscellaneous Encumbrance Document and Certification of Unexpended Appropriation signed by the Finance Director. Although the payment was appropriate,

the Department Head's approval of the payment was not indicated on the voucher, so Accounts Payable should not have processed the payment. (Departmental explanation for payments with deficient approving signatures and/or missing receiving documents are shown in ATTACHMENT 16.)

Inadequate Supporting Documentation

Most of the payments we found with inadequate supporting documentation were for mileage reimbursement. The Finance Administrative Manual Section 5.1.11.10e concerning mileage reimbursement specifies that an "adequate explanation of locations covered must be shown" and general statements such as "City business" should not be used. Within our random and judgmental sample of checks, we found 19 payments of this nature (See ATTACHMENT 6).

In addition, we found two payments in our random sample and six in our judgmental sample which did not have the required receiving document or signature. Without a receiving document or signature, the City cannot ascertain whether the item received was in good condition or that the service received was performed satisfactorily. (Departmental explanation for payments with deficient approving signatures and/or missing receiving documents are shown in ATTACHMENT 16.)

Incorrect Account Codes

We also found six payments in our random sample and four in our judgmental sample which were charged to incorrect account codes (See ATTACHMENT 7). These included eight payments charged to the wrong detail code, one payment charged to the wrong prime account, and one payment which was charged to the wrong detail code and also should have been capitalized.

A \$501.61 payment for a dictation/transcription machine was incorrectly charged to Supplies instead of to Machinery and Equipment as required. Since the item had a useful life of more than one year and cost more than \$500, it also should have been capitalized and put into the equipment inventory.

The two largest payments (over \$11,454,000 combined) were incorrectly charged to Contractual and Professional Services instead of to Debt Service Principal and Interest. According to the Finance-Accounting staff, these payments were not charged to Debt Service Principal and Interest because they were not intended to service City-issued bonds. The bonds were issued by a non-City entity, the Clean Water Financing Authority, and the funds used to service the bonds came from the City of San Jose and other governments in the area.

The Finance-Accounting staff agreed that Contractual and Professional Services was not an appropriate detail code to charge. These payments, in fact, were reclassified at the end of the 1985-86 fiscal year. Furthermore, upon review of the transactions of the affected fund, we noted that \$2,573,000 in contributions from other local governments also were inappropriately classified as "Operating Income." In our opinion, Finance-Accounting should determine the proper accounting treatment of the transactions affecting the Clean Water Financing Authority Payment Fund and record the transactions accordingly.

CONCLUSION

During our review, we identified instances of non-compliance with City internal control procedures concerning deficient approval signatures, inadequate supporting documentation, and the incorrect use of account codes. The internal control exceptions appeared to be due to oversight and did not result in the loss of City funds.

RECOMMENDATION

We recommend that:

Recommendation #3:

Finance-Accounting determine the proper accounting treatment of the transactions affecting the Clean Water Financing Authority Payment Fund and record the transactions accordingly. (Priority 3)

RECEIVED

JUN 23 1987

CITY OF SAN JOSE - MEMORANDUM

CITY AUDITOR

TO: Honorable Mayor and City Council

FROM: Edward G. Schilling
Director of Finance

SUBJECT: AUDIT OF 1985-86 NON-PERSONAL
EXPENDITURES

DATE: June 16, 1987

APPROVED



DATE

Before responding to the Auditor's recommendations contained in the 1985-86 Audit of Non-Personal Expenditures, Finance-Accounting feels it is appropriate to comment upon the implementation of the recommendations made in the prior year's audit. Although we initially had reservations about the cost-effectiveness of implementing procedures and a training program which would impose an additional burden on the current clerical and professional staff, it is clear in reviewing both the current audit as well as in assessing our own perceptions of internal improvements that the Auditor's suggestions were timely and of great assistance in improving the Accounts Payable operations.

The following are specific responses to the recommendations of the 1985-86 Audit of Non-Personal Expenditures:

RECOMMENDATION #1:

The Finance Department-Accounts Payable Section promptly report to the appropriate City Department Head any lost discounts over \$200 which his or her staff caused by not submitting receiving documents to Purchasing or Accounts Payable in a timely manner.

Finance Department Response:

Accounting currently prepares a quarterly report addressed to department heads summarizing the number of lost discounts over \$100, and will continue to accumulate information at this lower level. This is because \$100 represents the cost of processing a special check, and is the "break-even" administrative cost point for capturing lost discounts. We agree with the Auditor that \$200 is a more appropriate materiality level for immediately informing a department head of lost discounts and are currently designing a pre-printed form which will be used to inform department heads of such lost discounts as they occur.

The General Services Department is concerned about discounts taken on equipment ordered by the City which requires extensive review by staff to ensure that it is in working order and that it meets appropriate specifications. Specifically, the City's liability in receiving large quantities of automobiles and large pieces of equipment such as trucks, aerial lifts, and street sweepers, where the cost exceeds \$50,000 per piece of equipment, is so large in instances where equipment is inoperable or does not meet specifications that it may not be cost effective to capture each and every discount. However, General Services will continue to pursue a strong policy of achieving discounts where possible, and where the City does not run a significant risk from premature acceptance.

RECOMMENDATION # 2:

The Office of the City Manager require the City departments, the Purchasing Division, and Finance-Accounts Payable to 1) date invoices, receiving documents, and payment vouchers when received and when forwarded and 2) explain on the payment voucher any payment delays in excess of a specified number of days.

Finance Department Response:

The first part of the recommendation requires some clarification. Although Accounts Payable was not date-stamping invoices during the period which the audit covers, they are currently doing so as a matter of regular procedure. They also date-stamp payment vouchers when received, and maintain a log of any payment vouchers that are sent back to departments for corrections. The only change would be to date-stamp invoices again when they are forwarded to departments. Accounting will undertake to do this, and is in the process of ordering separate date-stamps for each of the Accounting clerical staff involved in the payment process. The Finance Director will also prepare a memorandum to all City departments instituting date-stamping procedures for their receipt of invoices and receiving documents.

In addressing the second part of the recommendation, the Auditor and Accounting agree that the materiality of a delayed payment is not the issue, and that any payments which are delayed over 40 days from the time of receipt of invoice or of materials/services should be explained. However, this part of the recommendation causes Accounting some concern. Since, as the Auditor has shown in his report, delays are usually the result of a department holding up documents or taking excessive time to prepare payment vouchers, it would be expected that most of these written explanations on the payment voucher would also be prepared by the department. This could act as an additional deterrent to timely processing, and Accounting's experience would tend to confirm the likelihood of this result. Accounting has clarified with the City Auditor that there is no intention that Accounting should assume an enforcement role in the processing of delayed payments: clearly it would be counterproductive to hold up a payment document because an adequate explanation of delay is not provided by the department involved. Similarly, Accounting will not assume the responsibility of judging whether an explanation of delay is adequate, nor do they have adequate staffing to take any follow-up action on late payments. The explanations will only be used to facilitate the Auditor's annual review of non-personal expenditures. Accounting, therefore, will record on the payment vouchers any reasons relating to why a payment was delayed in Accounts Payable, but will not undertake any further action. Departments will be expected to take the responsibility for implementing the same procedures once they receive the City Manager's direction to do so.

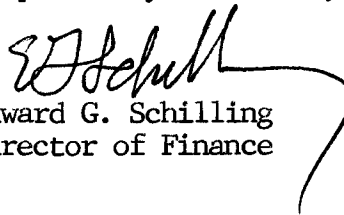
RECOMMENDATION # 3:

Finance-Accounting determine the proper accounting treatment of the transactions affecting the Clean Water Financing Authority Payment Fund and record the transactions accordingly.

Finance Department Response:

Accounting agrees with the City Auditor that the debt service expenditure is more appropriately coded separately from regular contractual service payments, and has obtained the concurrence of the Water Pollution Control Plant to re-classify the payments to a special detail code set up for this purpose.

Respectfully submitted,


Edward G. Schilling
Director of Finance

ES:EH:jm
1082F/0107F-87

CITY OF SAN JOSE—MEMORANDUM

TO Gerald E. Silva, City Auditor

FROM James R. Daniels

SUBJECT AUDIT OF NON-PERSONAL

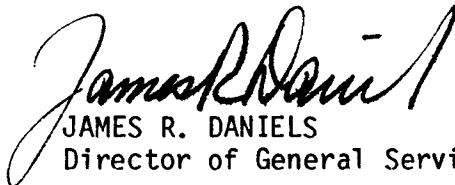
DATE June 9, 1987

APPROVED

DATE

The purpose of this memorandum is to provide you with my comments relative to the audit of City-wide non-personal details.

I continue to be concerned about taking discounts before we are sure that the equipment ordered by the City is in working order and meets the appropriate specifications. Specifically, I am concerned about the receiving of large quantities of automobiles and large pieces of equipment such as trucks, aerial lifts, and street sweepers where the cost is in excess of \$50,000 per piece of equipment. The liability to the City is such that the discount is miniscule when compared to the risk of receiving equipment that is inappropriate and inoperable or does not meet City specifications. This department will continue to pursue a strong policy of achieving discounts where possible; but, in the final analysis, any money gained by discounts should be measured against the risk involved in receiving equipment as described above.


JAMES R. DANIELS
Director of General Services

u(7364G)

cc: Les White
Ed Schilling
Susan George
Sam Gaetz
Fred Wright

RECEIVED
JUN 11 1987

CITY AUDITOR

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
 AUDIT SAMPLE OF CHECKS PROCESSED
 FISCAL YEAR ENDED JUNE 30, 1986
 WITH COMPARATIVE FIGURES FOR THE FISCAL YEAR ENDED JUNE 30, 1985

| TYPE OF EXCEPTION | 1985-86 | | | 1984-85 | | | PERCENT INCREASE (DECREASE) |
|--|--------------------------------------|-------------------------------|---|--------------------------------------|-------------------------------|---|-----------------------------------|
| | NUMBER OF EXCEPTIONS IN SAMPLE | PERCENT OF 1487 SAMPLES | DOLLAR RANGE OF ITEMS WITH EXCEPTIONS | NUMBER OF EXCEPTIONS IN SAMPLE | PERCENT OF 1183 SAMPLES | DOLLAR RANGE OF ITEMS WITH EXCEPTIONS | |
| 1. Deficient approving signatures | 5 | 0.34% | \$12-\$148,500 | 10 | 0.85% | \$30-\$5,859 | -60.22% |
| 2. Overpayments and late payment penalties | 4 | 0.27% | \$1-\$1,389 | 7 | 0.59% | \$0.05-\$17,535 | -54.54% |
| 3. Inadequate supporting documentation | 25 | 1.68% | \$13-\$5,165 | 16 | 1.35% | \$14-\$390 | 24.31% |
| 4. Incorrect use of forms | 0 | 0 | 0 | 4 | 0.34% | \$96-\$10,738 | -100.00% |
| 5. Incorrect account codes | 10 | 0.67% | \$105-\$5,733,018 | 0 | 0 | 0 | ∞ |
| 6. Late payments | 96 | 6.46% | \$9-\$678,441 | 14 | 1.18% | \$82-\$229,078 | 445.53% |
| 7. Lost discounts | 38 | 2.56% | \$0.24-\$1,200 | 22 | 1.86% | \$1-\$2,200 | 37.42% |
| 8. Non-compliance with expenditure limitations | 0 | 0 | 0 | 3 | 0.25% | \$22-\$251 | -100.00% |

ATTACHMENT 2

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
LOST DISCOUNTS
FISCAL YEAR ENDED JUNE 30, 1986

| CHECK DATE | DEPT | VENDOR | CHECK NUMBER | DOCUMENT NUMBER | DOCUMENT AMOUNT | DISCOUNTS LOST |
|--------------------|--------|---------------------------|-----------------|--------------------|--------------------|-------------------|
| ----- | | | | | | |
| STATISTICAL SAMPLE | | | | | | |
| 10/02/85 | NMaint | RAISCH PRODUCTS | 1183836 | 81874 | \$6,887.44 | \$230.02 |
| 03/26/86 | Libr | VIETNAMESE BOOK STORE | 1204515 | 18648 | 10,277.95 | 99.74 |
| 06/18/86 | Traf | WYLE DIST. | 1215328 | 61858 | 4,887.22 | 91.35 |
| 10/02/85 | Arprt | NEWLIFE PRINTING CO. | 1184182 | 24770 | 2,411.10 | 66.90 |
| 04/16/86 | GSD | H.S. CROCKER CO., INC. | 1206996 | 99019 | 5,468.47 | 51.11 |
| 04/23/86 | GSD | UNISOURCE CORP. | 1207808 | 99038 | 4,410.97 | 41.24 |
| 09/11/85 | GSD | KEENAN SUPPLY INC. | 1181125 | 99494 | 1,954.05 | 36.52 |
| 02/26/86 | NMaint | REED & GRAHAM, INC. | 1201263 | 91428 | 8,214.53 | 25.84 |
| 07/10/85 | Libr | NICOLET PAPER COMPANY | 1174600 | 54771 | 2,300.00 | 23.00 |
| 06/11/86 | GSD | AVIAL | 1213710 | 62462 | 616.87 | 11.49 |
| 08/14/85 | Police | FRANK W. DUNNE COMPANY | 1178066 | 56296 | 502.90 | 9.40 |
| 12/23/85 | GSD | CALIFORNIA ENVELOPE CO | 1194635 | 59023 | 752.85 | 7.04 |
| 03/19/86 | GSD | BECK'S SHOES INC. | 1203684 | 96392 | 572.03 | 5.72 |
| 02/19/86 | WPCP | M & H VALVE COMPANY | 1200351 | 59478 | 303.60 | 5.58 |
| 04/16/86 | GSD | GRAYBAR ELECTRIC CO. | 1207187 | 96605 | 1,124.01 | 5.49 |
| 11/13/85 | GSD | SEALEX CORP. | 1189729 | 58625 | 530.29 | 4.96 |
| 03/04/86 | P & R | STA CLA LUMBER & MILLWORK | 1205858 | 61757 | 529.65 | 4.95 |
| 03/19/86 | WPCP | WESTINGHOUSE ELECTRIC | 1204275 | 60921 | 223.10 | 4.17 |
| 10/16/85 | Traf | PACIFIC HARDWARE & STEEL | 1185639 | 81393 | 216.99 | 4.05 |
| 01/08/86 | Libr | VIETNAMESE BOOK STORE | 1195724 | 12338 | 418.81 | 4.03 |
| 03/19/86 | Traf | ELECTRO COMPONENTS | 1203976 | 60476 | 375.10 | 3.52 |
| 03/19/86 | Pers | CALIFORNIA ENVELOPE CO. | 1203945 | 60381 | 362.76 | 3.28 |
| 03/26/86 | P & R | NORTHERN DISTRIBUTING CO. | 1205021 | 94686 | 234.78 | 2.19 |
| 03/19/86 | GSD | BECK'S SHOES INC. | 1203684 | 96199 | 171.84 | 1.72 |
| 03/19/86 | GSD | BECK'S SHOES INC. | 1203684 | 96393 | 90.00 | 0.90 |
| 03/19/86 | WPCP | WESTINGHOUSE ELECTRIC | 1204275 | 61224 | 32.87 | 0.61 |
| 05/28/86 | GSD | PPG INDUSTRIES INC | 1212702 | 96921 | 21.94 | 0.41 |
| 08/21/85 | GSD | SANTA CLARA N.O. NELSON | 1179191 | 48665 | 12.04 | 0.24 |
| SUBTOTAL | | | | | \$53,904.16 | \$745.47 |

ATTACHMENT 2

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
LOST DISCOUNTS
FISCAL YEAR ENDED JUNE 30, 1986

| CHECK DATE | DEPT | VENDOR | CHECK NUMBER | DOCUMENT NUMBER | DOCUMENT AMOUNT | DISCOUNTS LOST |
|-------------------|--------|---------------------------|-----------------|--------------------|--------------------|-------------------|
| JUDGMENTAL SAMPLE | | | | | | |
| 11/20/85 | GSD | AL EAMES FORD | 1190089 | 57134 | \$87,200.84 | \$1,200.00 |
| 11/20/85 | GSD | AL EAMES FORD | 1190089 | 57017 | 55,673.26 | 1,200.00 |
| 11/20/85 | GSD | AL EAMES FORD | 1190089 | 57132 | 24,320.40 | 800.00 |
| 03/26/86 | Arprt | NATIONAL COACH CORP. | 1204497 | 58027 | 152,460.40 | 712.70 |
| 07/17/85 | GSD | JOHN EHRET DODGE CHRYSLER | 1174949 | 52982 | 25,590.88 | 600.00 |
| 11/26/85 | GSD | WATER TECH CHEMICAL CO. | 1191082 | 99969 | 2,804.26 | 26.21 |
| 12/23/85 | GSD | VANIER GRAPHICS CORP. | 1194295 | 54724 | 4,890.68 | 22.85 |
| 06/11/86 | NMaint | RAISCH PRODUCTS | 1213721 | 6581 | 316.24 | 13.76 |
| 02/27/86 | P & R | BECK'S SHOES, INC. | 1201680 | 90617 | 1,020.01 | 10.20 |
| 03/14/86 | Libr | H.S. CROCKER | 1203562 | 60817 | 962.82 | 8.88 |
| 12/05/85 | WPCP | UNIV-AIR EQUIPMENT CO. | 1192413 | 24835 | 367.01 | 7.34 |
| 12/19/85 | P & R | NORTHERN DISTRIBUTING CO. | 1194265 | 93195 | 484.74 | 4.53 |
| 01/17/86 | WPCP | NELSON ELECTRONICS | 1197223 | 56655 | 798.80 | 3.95 |
| 02/27/86 | NMaint | BECK'S SHOES, INC. | 1201680 | 89932 | 270.00 | 2.70 |
| 12/23/85 | Fin | VANIER GRAPHICS CORP. | 1194295 | 57096 | 406.90 | 1.90 |
| 01/17/86 | WPCP | QUEMENT ELECTRONICS | 1197231 | 88809 | 90.25 | 1.81 |
| 02/27/86 | Arprt | BECK'S SHOES, INC. | 1201680 | 90762 | 175.26 | 1.75 |
| 12/23/85 | PW | VANIER GRAPHICS CORP. | 1194295 | 58205 | 241.56 | 1.13 |
| 12/23/85 | Traf | VANIER GRAPHICS CORP. | 1194295 | 57113 | 149.92 | 0.70 |
| 02/27/86 | Fire | BECK'S SHOES, INC. | 1201680 | 89848 | 67.40 | 0.67 |
| 12/23/85 | P & R | VANIER GRAPHICS CORP. | 1194295 | 58148 | 142.05 | 0.63 |
| 12/23/85 | Libr | VANIER GRAPHICS CORP. | 1194295 | 54715 | 142.85 | 0.63 |
| 12/23/85 | N Pres | VANIER GRAPHICS CORP. | 1194295 | 58206 | 96.63 | 0.45 |
| 01/17/86 | WPCP | VANTON PUMP & EQUIPMENT | 1197235 | 57726 | 32.51 | 0.33 |
| SUBTOTAL | | | | | \$358,705.67 | \$4,623.12 |
| TOTAL | | | | | \$412,609.83 | \$5,368.59 |

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
OVERPAYMENTS AND LATE PAYMENT PENALTIES
FISCAL YEAR ENDED JUNE 30, 1986

| CHECK DATE | DEPT | VENDOR | CHECK NUMBER | DOCUMENT NUMBER | DOCUMENT AMOUNT | ERROR/ PENALTY | COMMENTS |
|---------------------------|------|--------------------|-----------------|--------------------|--------------------|-------------------|---|
| OVERPAYMENTS | | | | | | | |
| STATISTICAL SAMPLE | | | | | | | |
| 06/25/86 | BSD | LE DEIT BROTHERS | 1216324 | 97076 | \$1,285.49 | \$10.00 | Wrong computation in invoice |
| 02/12/86 | PW | CHERYL J. TRUJILLO | 1199968 | 5776 | 21.00 | 1.20 | Unallowable reimbursement for mileage from work to home |
| Total overpayments | | | | | \$1,306.49 | \$11.20 | |

LATE PAYMENT PENALTIES

JUDGMENTAL SAMPLE

| | | | | | | | |
|------------------------------|------|-----------------------|---------|-------|------------|------------|---|
| 05/14/86 | Fin | ST BD OF EQUALIZATION | 1210334 | 17265 | \$1,388.81 | \$1,388.81 | Delinquency charges for late-payment of taxes |
| 05/27/86 | WPCP | BROOKLYN TRUCKING | 1212255 | 19727 | 22.65 | 2.06 | Penalty for late payment |
| Total late payment penalties | | | | | \$1,411.46 | \$1,390.87 | |

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
LATE PAYMENTS
FISCAL YEAR ENDED JUNE 30, 1986

| CHECK DATE | DEPT | VENDOR | CHECK NUMBER | DOCUMENT NUMBER | DOCUMENT AMOUNT | NUMBER OF DAYS |
|--------------------|--------|---------------------------------|-----------------|--------------------|--------------------|-------------------|
| ----- | | | | | | |
| STATISTICAL SAMPLE | | | | | | |
| 02/26/86 | Libr | BERNARD H. HAMEL SPANISH BOOKS | 1201159 | 12521 | \$140.81 | 219 |
| 03/26/86 | Plng | SEVEN ELEVEN FOOD STORES | 1204925 | 13190 | 125.00 | 140 |
| 03/26/86 | Libr | VIETNAMESE BOOK STORE | 1204515 | 18648 | 10,277.95 | 132 |
| 08/07/85 | N Pres | EMCON ASSOCIATES | 1177392 | 85769 | 1,994.96 | 129 |
| 12/04/85 | Pers | LEITER'S PHARMACY | 1191630 | 6488 | 702.85 | 125 |
| 08/14/85 | Fire | PENNIMAN & RICHARDS | 1178371 | 81147 | 463.83 | 110 |
| 06/18/86 | Pers | O'CONNOR HOSPITAL | 1215224 | 13414 | 3,304.27 | 107 |
| 02/03/86 | Plng | UNIVERSITY ART CENTER | 1198629 | 81070 | 104.86 | 106 |
| 08/07/85 | WPCP | KIELTY & DAYTON | 1177424 | 53021 | 175.37 | 106 |
| 06/18/86 | WPCP | FUSES UNLIMITED | 1214783 | 61211 | 557.43 | 105 |
| 04/09/86 | Libr | AMERICAN DISTRICT TELEGRAPH CO. | 1206095 | 56499 | 484.24 | 99 |
| 09/25/85 | BSD | LOMBARDO CORE DRILLING | 1183487 | 24141 | 95.00 | 97 |
| 12/23/85 | Pers | PIMENTEL, LINVILL, et al. | 1194528 | 15625 | 186.00 | 94 |
| 01/29/86 | BSD | LE DEIT BROTHERS GLASS SERVICE | 1198366 | 96015 | 2,507.33 | 92 |
| 04/16/86 | BSD | H.S. CROCKER CO., INC. | 1206996 | 99019 | 5,468.47 | 92 |
| 12/04/85 | Atty | WILLIAMS, PARKER, et al. | 1192069 | 9818 | 28.70 | 86 |
| 06/25/86 | BSD | A & M MOTOR SUPPLY, INC. | 1215889 | 60234 | 1,836.56 | 84 |
| 06/25/86 | BSD | LE DEIT BROTHERS GLASS SERVICE | 1216324 | 97076 | 1,285.49 | 84 |
| 01/08/86 | Pers | DIANE SHIRAISHI, R.P.T. | 1195711 | 15669 | 320.00 | 82 |
| 06/25/86 | Arprt | LE DEIT BROTHERS GLASS SERVICE | 1216324 | 2243 | 1,015.07 | 78 |
| 01/22/86 | BSD | MOOG'S INC. | 1197599 | 96019 | 483.54 | 78 |
| 04/02/86 | Pers | ROBERT A. KELLEY, M.D. | 1205325 | 15477 | 759.00 | 78 |
| 03/05/86 | WPCP | TELSTAR INSTRUMENTS | 1202353 | 93480 | 3,218.54 | 78 |
| 09/18/85 | N Pres | DEAF COUNSELLING ADVOCACY | 1181948 | 7888 | 187.60 | 75 |
| 04/23/86 | Pers | D. JEFFREY DUCKHAM, M.D. | 1207981 | 10761 | 333.54 | 75 |
| 10/30/85 | Police | BROADCAST MARKETING ASSOCIATES | 1187061 | 56759 | 249.42 | 75 |
| 05/28/86 | InfSys | WANG LABS | 1212764 | 93876 | 7,091.08 | 74 |
| 08/21/85 | BSD | SANTA CLARA N.O. NELSON | 1179191 | 48665 | 12.04 | 72 |
| 06/04/86 | WPCP | WASTE MANAGEMENT OF STA CLARA | 1212938 | 89292 | 5,252.00 | 71 |
| 10/30/85 | BSD | EMERY WORLDWIDE | 1186986 | 11160 | 103.45 | 67 |
| 10/23/85 | Fire | JOHN RUSSO SHEET METAL | 1186529 | 86648 | 219.62 | 65 |
| 05/28/86 | BSD | PPG INDUSTRIES INC | 1212702 | 96921 | 21.94 | 65 |
| 01/29/86 | Fire | NATIONAL CHEMSEARCH | 1198204 | 58868 | 541.90 | 64 |
| 11/07/85 | Atty | LOCAL GOVERNMENT PUBLICATION | 1188549 | 765 | 127.20 | 64 |
| 04/16/86 | BSD | GRAYBAR ELECTRIC CO. | 1207187 | 96605 | 1,124.01 | 63 |
| 07/17/85 | Police | LANIER BUSINESS PRODUCTS | 1175427 | 53756 | 118.09 | 62 |
| 08/07/85 | WPCP | SAN JOSE BLUE PRINT SERVICES | 1177688 | 48224 | 848.77 | 62 |
| 06/18/86 | Pers | WILLIAM J. HAWES, M.D. | 1214598 | 13339 | 128.70 | 61 |

Continued next page

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
LATE PAYMENTS
FISCAL YEAR ENDED JUNE 30, 1986

| CHECK DATE | DEPT | VENDOR | CHECK NUMBER | DOCUMENT NUMBER | DOCUMENT AMOUNT | NUMBER OF DAYS |
|-------------------------------|--------|---------------------------------|-----------------|--------------------|--------------------|-------------------|
| ----- | | | | | | |
| STATISTICAL SAMPLE, continued | | | | | | |
| 08/28/85 | PW | STURGIS, NESS, et al. | 1179593 | 86819 | \$3,646.60 | 58 |
| 09/05/85 | GSD | A&M PAINT & BODY SHOP | 1180734 | 99701 | 3,067.12 | 58 |
| 02/05/86 | Atty | THE STATE BAR OF CALIFORNIA | 1198699 | 9837 | 3,730.00 | 58 |
| 01/08/86 | Libr | VIETNAMESE BOOK STORE | 1195724 | 12338 | 418.81 | 57 |
| 11/13/85 | Arprt | BAY AREA PETROLEUM, INC. | 1189363 | 57838 | 707.94 | 56 |
| 04/09/86 | GSD | HARRY L. MURPHY INC. | 1206562 | 96617 | 263.48 | 56 |
| 03/19/86 | GSD | BECK'S SHOES INC. | 1203684 | 96199 | 171.84 | 56 |
| 10/02/85 | GSD | HOPPER, INC. | 1184221 | 99791 | 53.54 | 55 |
| 11/06/85 | GSD | OTIS ELEVATOR | 1188975 | 25002 | 489.89 | 55 |
| 06/25/86 | Fire | GRUMMAN EMERGENCY PRODUCTS INC. | 1215887 | 90234 | 571.61 | 54 |
| 09/25/85 | NMaint | SCREENED IMAGES | 1183171 | 56298 | 194.21 | 54 |
| 01/15/86 | Traf | GRAYBAR ELECTRIC CO | 1196647 | 58853 | 2,922.34 | 51 |
| 03/19/86 | GSD | HOWARD JONES | 1204142 | 98868 | 2,190.54 | 51 |
| 09/25/85 | Fin | APPLEGATE PERSONNEL SERVICES | 1183097 | 80939 | 202.60 | 50 |
| 09/25/85 | WPCP | APPLEGATE PERSONNEL SERVICES | 1183097 | 85916 | 3,095.81 | 50 |
| 07/17/85 | Pers | ROBERT A. COOK & STAFF INC. | 1175077 | 1024 | 113.48 | 49 |
| 08/21/85 | WPCP | PROTECTION ENGINEERING, INC. | 1179161 | 80065 | 358.56 | 49 |
| 04/09/86 | Fire | UNION OIL CO. | 1206661 | 90082 | 5,164.64 | 48 |
| 10/02/85 | P & R | ALUM ROCK UNION SCHOOL DIST. | 1183803 | 98009 | 460.00 | 48 |
| 04/30/86 | Fire | DUNBAR-MUNN CORP | 1208866 | 25862 | 114.42 | 48 |
| 03/19/86 | NMaint | SAN JOSE WATER COMPANY | 1204225 | 14148 | 25.36 | 47 |
| 11/20/85 | WPCP | ARROWHEAD INDUSTRIAL WATER | 1190141 | 88849 | 32.80 | 47 |
| 04/30/86 | WPCP | BAY ENGINE & PARTS | 1208659 | 25549 | 479.58 | 43 |
| 11/13/85 | NMaint | SAN JOSE ART | 1189720 | 82100 | 9.45 | 43 |
| 01/22/86 | Libr | ADVANCED INFORMATION MANAGEMENT | 1197442 | 80833 | 1,382.50 | 42 |
| Subtotal | | | | | \$81,761.75 | |

JUDGMENTAL SAMPLE

| | | | | | | |
|----------|--------|---------------------------------|---------|-------|----------|-----|
| 05/27/86 | WPCP | BROOKLYN TRUCKING | 1212255 | 19727 | \$22.65 | 312 |
| 12/30/85 | GSD | S & S WELDING | 1194932 | 24208 | 65.00 | 200 |
| 09/19/85 | Pers | COATES HERFURTH & ENGLAND, INC. | 1182340 | 12932 | 1,500.00 | 167 |
| 01/06/86 | WPCP | PRACTICAL MANAGEMENT ASSOCIATES | 1195654 | 9020 | 37.98 | 153 |
| 07/24/85 | N Pres | GOLDEN STATE TITLE CO. | 1176098 | 85762 | 385.00 | 131 |
| 01/09/86 | WPCP | SABRE CONTROLS | 1196204 | 56571 | 1,288.47 | 122 |

Continued next page

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
LATE PAYMENTS
FISCAL YEAR ENDED JUNE 30, 1986

| CHECK DATE | DEPT | VENDOR | CHECK NUMBER | DOCUMENT NUMBER | DOCUMENT AMOUNT | NUMBER OF DAYS |
|------------------------------|--------|-------------------------------|-----------------|--------------------|--------------------|-------------------|
| JUDGMENTAL SAMPLE, continued | | | | | | |
| 12/27/85 | Pers | PATHOLOGY LABORATORY | 1194933 | 85028 | 1,326.00 | 118 |
| 01/23/86 | Plng | SAN JOSE BLUEPRINT CO. | 1197816 | 81066 | 375.13 | 114 |
| 11/13/85 | GSD | S & K TOYOTA | 1189518 | 53810 | 163,441.43 | 110 |
| 12/02/85 | GSD | EDWARD B. WARD & CO. | 1191548 | 24422 | 214.57 | 106 |
| 09/25/85 | PW | WOODWARD-CLYDE CONSULTANTS | 1181488 | 86863 | 2,806.46 | 92 |
| 09/25/85 | InfSys | DAVIS & HANLEY INC. | 1183779 | 57528 | 214.00 | 88 |
| 02/27/86 | WPCP | THE BROSE COMPANY | 1201686 | 59290 | 1,662.54 | 86 |
| 07/31/85 | Mgr | SAUSALITO MOVING & STORAGE | 1176348 | 23805 | 1,408.94 | 83 |
| 12/27/85 | Pers | PATHOLOGY LABORATORY | 1194934 | 15523 | 227.45 | 80 |
| 12/19/85 | Fire | SAN JOSE BLUE PRINT | 1194268 | 86650 | 194.37 | 79 |
| 10/23/85 | P & R | PACIFIC GAS & ELECTRIC CO. | 1186497 | 10143 | 200.37 | 75 |
| 11/25/85 | InfSys | DIGITAL EQUIPMENT CORP. | 1191077 | 57396 | 678,440.69 | 74 |
| 12/19/85 | N Pres | SAN JOSE BLUE PRINT | 1194268 | 85682 | 44.34 | 70 |
| 02/03/86 | Plng | UNIVERSITY ART CENTER | 1198629 | 81071 | 22.06 | 69 |
| 10/18/85 | GSD | A&M PAINT & BODY SHOP | 1185943 | 99881 | 5,134.83 | 61 |
| 02/27/86 | NMaint | BECK'S SHOES, INC. | 1201680 | 89932 | 270.00 | 58 |
| 12/11/85 | GSD | GARDEN STATE INT'L TRUCKS | 1192420 | 55980 | 61,410.51 | 57 |
| 12/19/85 | P & R | SAN JOSE BLUE PRINT | 1194268 | 92844 | 1,613.57 | 56 |
| 05/21/86 | DEM | BFI INT'L DISPOSAL CORP. | 1211824 | 10435 | 424,519.34 | 56 |
| 11/06/85 | InfSys | MC GRAW-HILL TRAINING SYSTEMS | 1215711 | 57018 | 190.92 | 53 |
| 04/04/86 | Traf | RUSS ENTERPRISES, INC. | 1206066 | 25140 | 209.93 | 53 |
| 08/07/85 | GSD | SOUTH BAY FORD TRUCK SALES | 1177714 | 94710 | 77,610.12 | 50 |
| 03/26/86 | Arprt | NATIONAL COACH CORP. | 1204497 | 58027 | 152,460.40 | 49 |
| 12/19/85 | P & R | SAN JOSE MERCURY NEWS | 1194261 | 10184 | 127.44 | 49 |
| 09/13/85 | Fire | L & N UNIFORM | 1181486 | 86554 | 610.01 | 49 |
| 02/27/86 | Arprt | BAYSHORE FRICTION MATERIALS | 1201678 | 91298 | 48.04 | 49 |
| 11/15/85 | Libr | PINKERTON'S, INC. | 1190083 | 80763 | 1,480.00 | 46 |
| 02/27/86 | Arprt | BAY AREA & HOLDENER PETROLEUM | 1201677 | 60077 | 990.34 | 45 |
| 04/23/86 | N Pres | NORTH AMERICAN CORP. | 1204444 | 87033 | 96.06 | 44 |
| 01/09/86 | PW | SAFETY SPECIALISTS, INC. | 1196206 | 58377 | 7,285.21 | 44 |
| 01/22/86 | GSD | PARAMOUNT EQUIPMENT SALES | 1197447 | 91980 | 131,468.76 | 41 |
| 01/22/86 | Fire | PARAMOUNT EQUIPMENT SALES | 1197447 | 52636 | 262,937.52 | 41 |
| Subtotal | | | | | \$1,982,340.45 | |
| Total | | | | | \$2,064,102.20 | |

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
DEFICIENT APPROVING SIGNATURES
FISCAL YEAR ENDED JUNE 30, 1986

| CHECK DATE | DEPT | VENDOR | CHECK NUMBER | DOCUMENT NUMBER | DOCUMENT AMOUNT | COMMENTS |
|--------------------|--------|-------------------------|-----------------|--------------------|--------------------|--|
| STATISTICAL SAMPLE | | | | | | |
| 08/07/85 | WPCP | SAN JOSE BLUE PRINT | 1177688 | 48224 | \$848.77 | Receiver not in list of authorized personnel in the Purchase Order |
| 08/21/85 | GSD | SMYTHE BUICK | 1179203 | 48208 | 329.98 | Receiver not in list of authorized personnel in the Purchase Order |
| 08/21/85 | GSD | SANTA CLARA N.O. NELSON | 1179191 | 48665 | 12.04 | Receiver not in list of authorized personnel in the Purchase Order |
| Subtotal | | | | | 1,190.79 | |
| JUDGMENTAL SAMPLE | | | | | | |
| 06/04/86 | N Pres | TICOR TITLE INSURANCE | 1213529 | 3417 | 148,500.00 | Partial Payment Voucher not signed |
| 12/23/85 | Traf | PARGAS OF SAN JOSE | 1194292 | 81395 | 289.10 | Receiver not in list of authorized personnel in the Purchase Order |
| Subtotal | | | | | 148,789.10 | |
| Total | | | | | \$149,979.89 | |

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
INADEQUATE SUPPORTING DOCUMENTATION
FISCAL YEAR ENDED JUNE 30, 1986

| CHECK DATE | DEPT | VENDOR | CHECK NUMBER | DOCUMENT NUMBER | DOCUMENT AMOUNT | COMMENTS |
|--------------------|--------|-------------------------|-----------------|--------------------|--------------------|------------------------------------|
| ----- | | | | | | |
| STATISTICAL SAMPLE | | | | | | |
| 04/09/86 | Fire | UNION OIL CO. | 1206661 | 90082 | \$5,164.64 | No receiving document or signature |
| 06/25/86 | Arprt | LE DEIT BROTHERS | 1216324 | 2243 | 1,015.07 | No receiving document or signature |
| 05/14/86 | PW | STEVEN HARTMAN | 1211273 | 57102 | 371.10 | Incomplete explanation of travel |
| 02/12/86 | PW | JOHN S. PRICKETT | 1199978 | 5774 | 250.10 | Incomplete explanation of travel |
| 07/10/85 | N Pres | MITS INAMI | 1174846 | 55102 | 245.10 | Incomplete explanation of travel |
| 02/12/86 | PW | JAMES H. ALLEN | 1199895 | 5767 | 238.60 | Incomplete explanation of travel |
| 06/11/86 | PW | SHERYL R. GOMES | 1214449 | 57113 | 225.90 | Incomplete explanation of travel |
| 06/11/86 | N Pres | FREDERICK ABINGTON | 1214287 | 55039 | 192.90 | Incomplete explanation of travel |
| 10/09/85 | N Pres | JOHN LO FRANCO | 1185196 | 18275 | 165.90 | Incomplete explanation of travel |
| 10/09/85 | N Pres | FREDERICK ABINGTON | 1185059 | 55115 | 128.70 | Incomplete explanation of travel |
| 01/15/86 | N Pres | THOMAS L. BRIM | 1196974 | 5527 | 123.90 | Incomplete explanation of travel |
| 07/10/85 | PW | MANSOUR NASSER | 1174787 | 57125 | 63.60 | Incomplete explanation of travel |
| 08/21/85 | P & R | DONNA JUNG | 1179298 | 6411 | 58.20 | Incomplete explanation of travel |
| 08/14/85 | PW | KENNETH L. GONG | 1178507 | 57003 | 56.10 | Incomplete explanation of travel |
| 07/10/85 | Traf | MANFORD D. SCHMAE | 1174898 | 5302 | 41.40 | Incomplete explanation of travel |
| 08/14/85 | PW | LARRY E. BENSON | 1178490 | 57001 | 33.30 | Incomplete explanation of travel |
| 11/13/85 | P & R | BECKY SUE WYRICK | 1189917 | 18041 | 25.20 | Incomplete explanation of travel |
| 08/14/85 | PW | LARRY E. BENSON | 1178490 | 15160 | 12.60 | Incomplete explanation of travel |
| Subtotal | | | | | \$8,412.31 | |
| ----- | | | | | | |
| JUDGMENTAL SAMPLE | | | | | | |
| 01/23/86 | Plng | SAN JOSE BLUEPRINT CO. | 1197816 | 81064 | 485.65 | No receiving document or signature |
| 01/23/86 | Plng | SAN JOSE BLUEPRINT CO. | 1197816 | 81078 | 452.46 | No receiving document or signature |
| 01/23/86 | Plng | SAN JOSE BLUEPRINT CO. | 1197816 | 81066 | 375.13 | No receiving document or signature |
| 12/23/85 | WPCP | PROTECTION ENGINEERING | 1194293 | 88808 | 315.29 | No receiving document or signature |
| 06/25/86 | Fin | EDWARD J.L. STEVENS | 1215705 | 4862 | 278.72 | No travel reimbursement form |
| 01/23/86 | Plng | SAN JOSE BLUEPRINT CO. | 1197816 | 81080 | 252.11 | No receiving document or signature |
| 09/25/85 | InfSys | DAVIS & HANLEY INC. | 1183779 | 57528 | 214.00 | No receiving document or signature |
| 05/22/86 | GSD | ALHAMBRA NATIONAL WATER | 1212244 | 96830 | 152.25 | No receiving document or signature |
| 06/24/86 | Police | BELEN VALLEJOS | 1215710 | 50112 | 144.00 | Incomplete explanation of travel |
| 03/20/86 | Police | JOLENE A. MURPHY | 1204442 | 5074 | 66.00 | Incomplete explanation of travel |
| 03/14/86 | N Pres | LLOYD COMBS | 1203563 | 55028 | 35.40 | Incomplete explanation of travel |
| Subtotal | | | | | \$2,771.01 | |
| ----- | | | | | | |
| Total | | | | | \$11,183.32 | |
| ===== | | | | | | |

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
 INCORRECT ACCOUNT CODES
 FISCAL YEAR ENDED JUNE 30, 1986

| CHECK DATE | DEPT | VENDOR | CHECK NUMBER | DOCUMENT NUMBER | DOCUMENT AMOUNT | COMMENTS |
|--------------------|--------|--------------------------|-----------------|--------------------|--------------------|---------------------------------------|
| STATISTICAL SAMPLE | | | | | | |
| 10/09/85 | P & R | ACME & SONS SANITATION | 1184605 | 93180 | \$975.00 | Charged to wrong detail code |
| 03/26/86 | Pers | XEROX CORPORATION | 1205131 | 85093 | 672.62 | Charged to wrong detail code |
| 08/14/85 | Police | FRANK W. DUNNE COMPANY | 1178066 | 56296 | 502.90 | Charged to wrong prime |
| 06/04/86 | P & R | HARRIS/LANIER BUSN PRODS | 1213421 | 63206 | 501.61 | Should be capitalized (over \$500.00) |
| 03/26/86 | Plng | SEVEN ELEVEN FOOD STORES | 1204925 | 13190 | 125.00 | Charged to wrong detail code |
| 07/31/85 | Traf | APPLEGATE PERSONNEL SVCS | 1176537 | 81996 | 105.36 | Charged to wrong detail code |
| Subtotal | | | | | 2,882.49 | |
| JUDGMENTAL SAMPLE | | | | | | |
| 03/12/86 | Fin | BANK OF AMERICA, TRUSTEE | 1202559 | 9255 | 5,733,017.50 | Charged to wrong detail code |
| 09/11/85 | Fin | BANK OF AMERICA, TRUSTEE | 1180917 | 18514 | 5,721,023.75 | Charged to wrong detail code |
| 07/17/85 | Traf | TRACONEX, INC. | 1175535 | 81981 | 149,885.60 | Charged to wrong detail code |
| 11/06/85 | P & R | STATE BD OF EQUALIZATION | 1187561 | 10199 | 8,655.08 | Charged to wrong detail code |
| Subtotal | | | | | 11,612,581.93 | |
| Total | | | | | \$11,615,464.42 | |

ATTACHMENT 8

NON-PERSONAL EXPENDITURE REVIEW
STATUS OF PRIOR AUDIT RECOMMENDATIONS
FEBRUARY 28, 1987

RECOMMENDATION

STATUS OF AUDIT RECOMMENDATION

Recommendation #1

The Office of Management and Budget and the Finance Department establish procedures to provide for the timely processing of vouchers involving purchase discounts to enable the City to take advantage of such discounts. (Priority 2)

Implemented. The Finance Department has included among the duties of the Senior Account Clerk at the Accounts Payable Section the task of reviewing incoming payment documents for potential discounts. The Senior Account Clerk stamps "Rush-Cash Discount Available" on the eligible payment vouchers which will then be processed on a priority basis. If the discount computation data is correct, the Senior Account Clerk brings the payment request to the attention of the Accounts Payable Supervisor for possible preparation of a special check. These procedures have been documented in the desk procedures for the Senior Account Clerk.

Recommendation #2

The Finance Department's Accounting Division implement procedures to record lost discounts in the City's accounting system. (Priority 2)

Implemented. Finance Department-Accounting Division now maintains a record of cash discounts lost that are over \$100, including the reason why the discount was not taken. On a quarterly basis, the Accounting Division will issue a list of cash discounts lost to each department responsible for the loss.

Recommendation #3

The Finance Department prepare written procedures for the Accounts Payable staff to guide them in pre-auditing requests for payment. (Priority 2)

Implemented. Finance Department has prepared desk procedures for the staff at the Accounts Payable Section. The desk procedures describe the different types of payment documents processed by the Accounts Payable Section; the procedures to be followed for each type of document; and potential problems with each type of document. The desk procedures also include instruction on how to handle potential cash discounts.

ATTACHMENT 8

NON-PERSONAL EXPENDITURE REVIEW
STATUS OF PRIOR AUDIT RECOMMENDATIONS
FEBRUARY 28, 1987

RECOMMENDATION

STATUS OF AUDIT RECOMMENDATION

Recommendation #4

The Finance Department's Accounts Payable Section maintain a record of errors and other deficiencies in payment requests from originating department, as a means of determining each department's level of compliance with established policies and procedures.
(Priority 2)

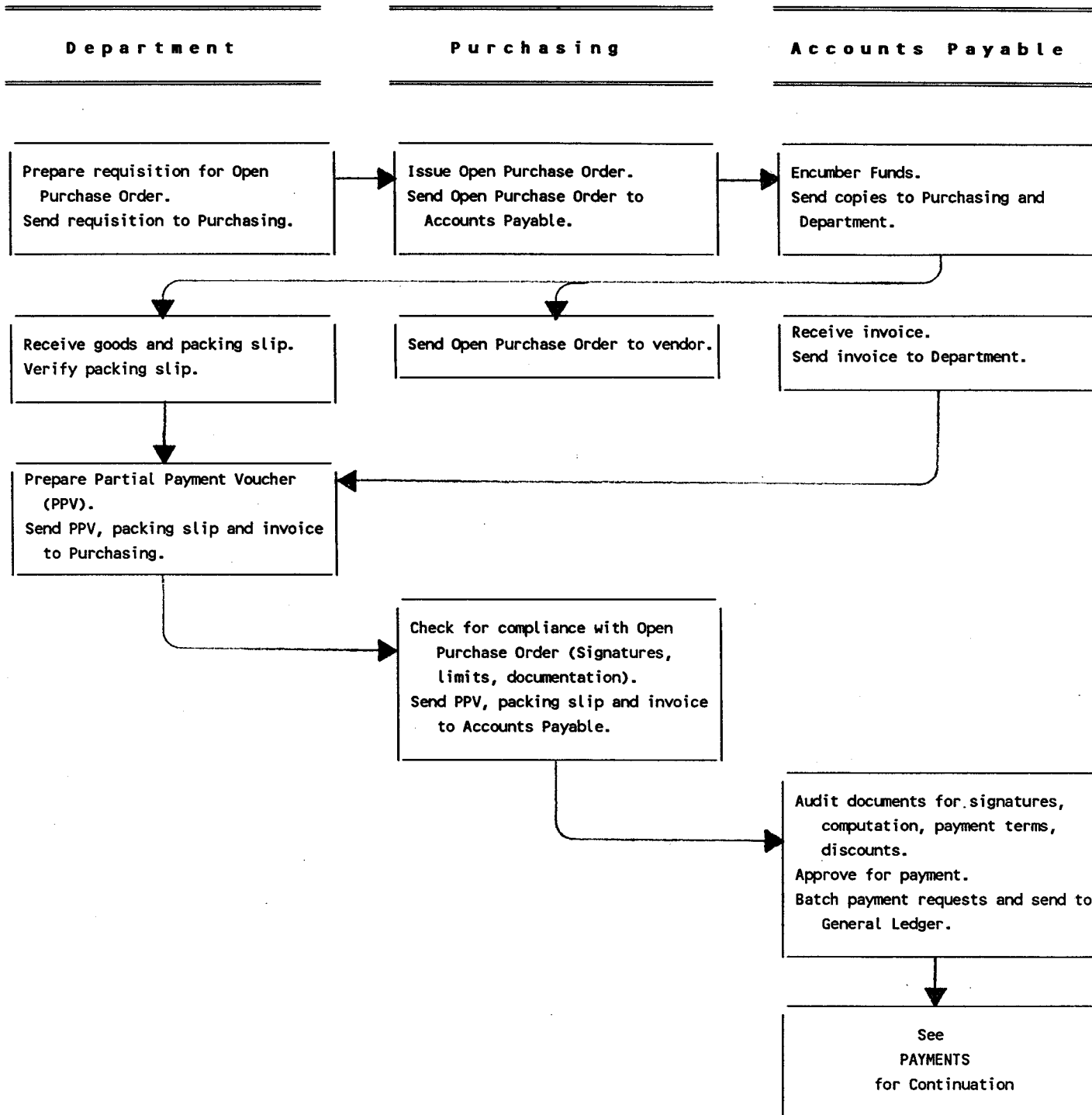
Implemented. Finance Department-Accounts Payable Section now maintains a record of errors and other deficiencies in payment requests from originating departments and issues a quarterly report to each department to enable the department to evaluate and thereby improve its level of compliance with established policies and procedures.

Recommendation #5

The Office of Management and Budget and the Finance Department establish a program to train departmental administrative staffs in the preparation of payment requests.
(Priority 2)

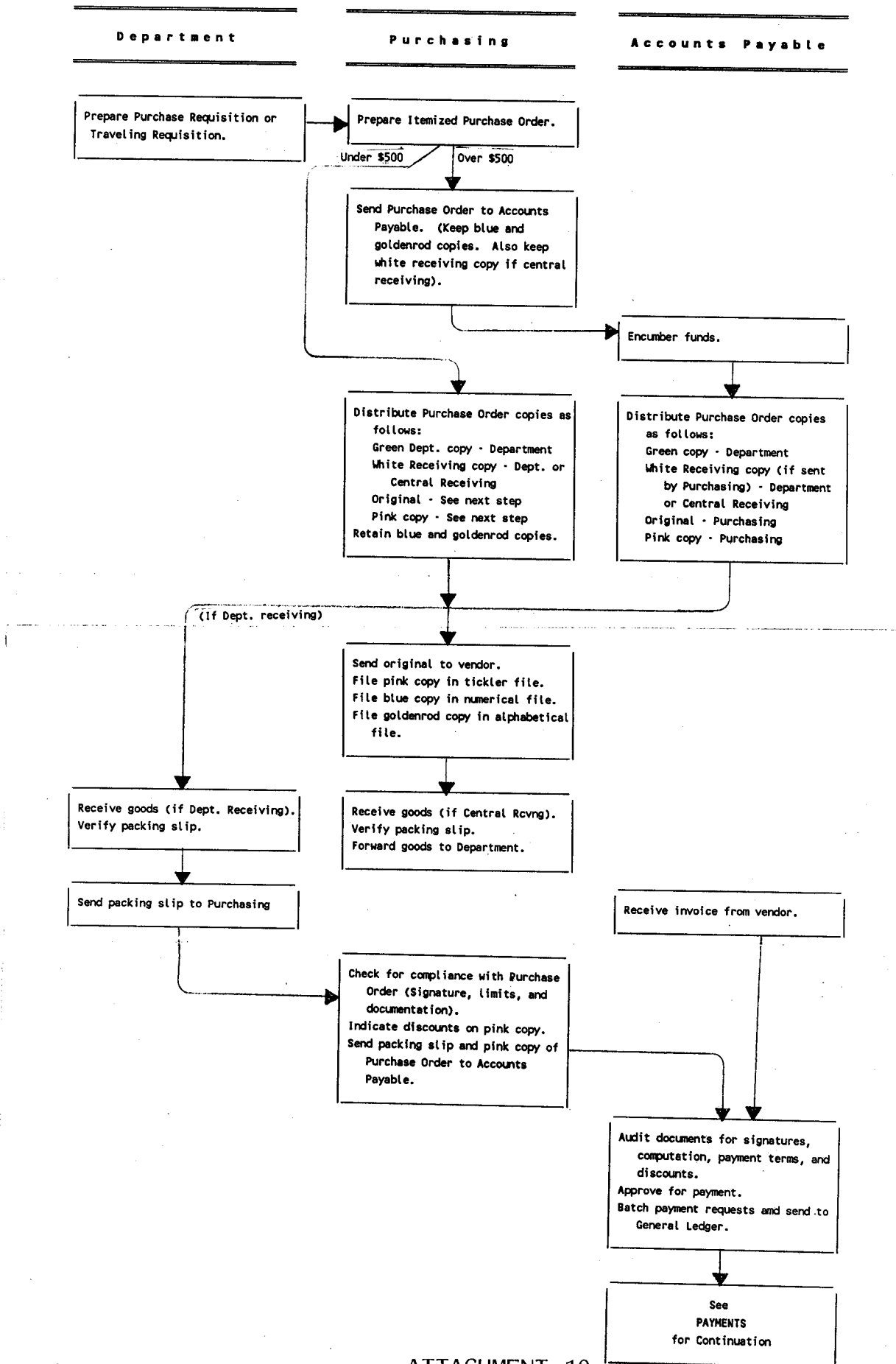
Implemented. The Finance Department conducted a program to train departmental administrative staffs in the preparation of payment requests. The training sessions were held in February, March, and April, 1987. Finance Department also prepared and distributed among departments a package of training materials which included an overview of the Purchasing/Accounts Payable System, documents used in the payment process, and an explanation of relevant deadlines and timeframes.

OPEN PURCHASE ORDERS DOCUMENT FLOW

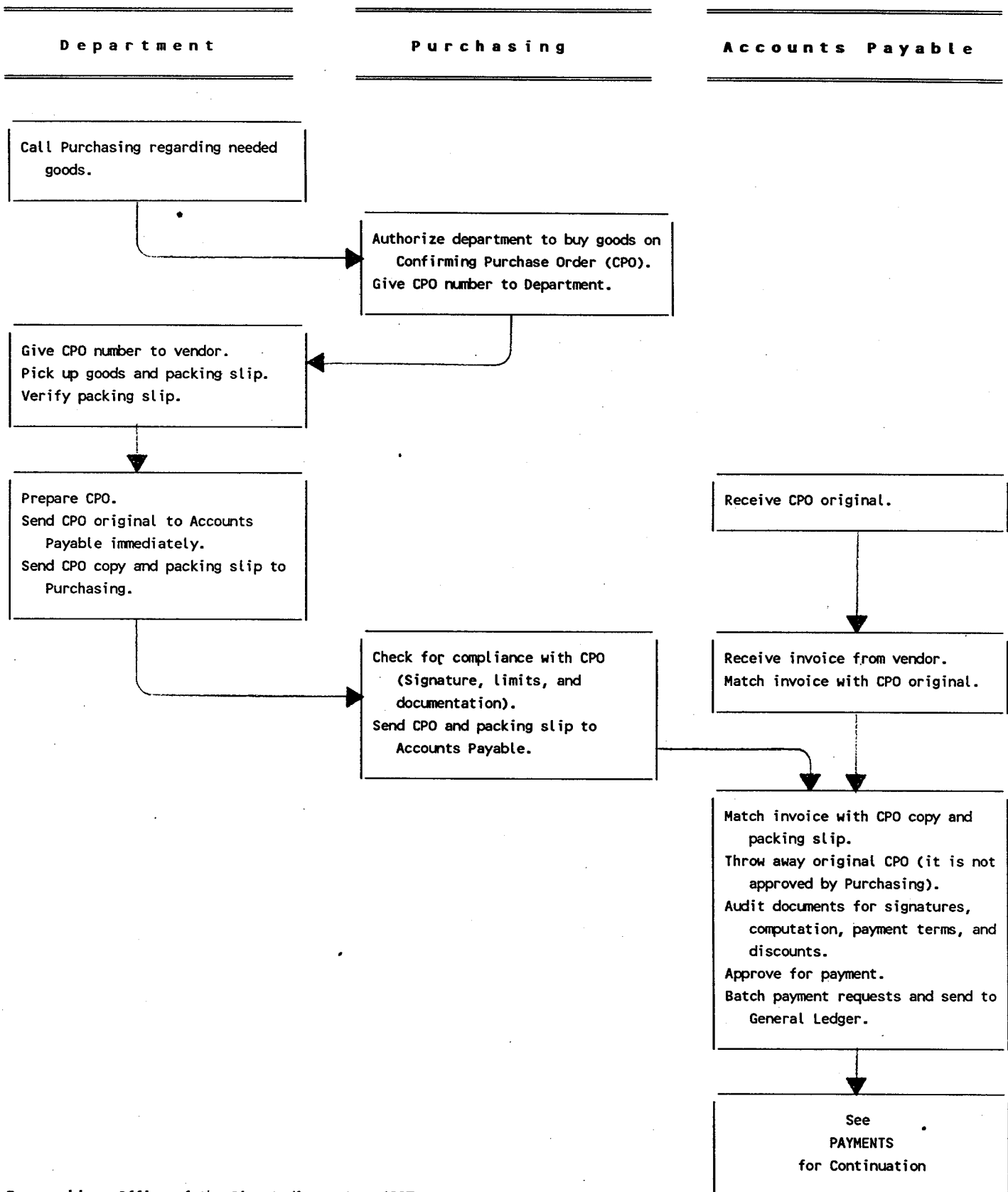


Prepared by: Office of the City Auditor, June 1987
Source: Accounting and Purchasing Staffs

**ITEMIZED PURCHASE ORDERS
DOCUMENT FLOW**

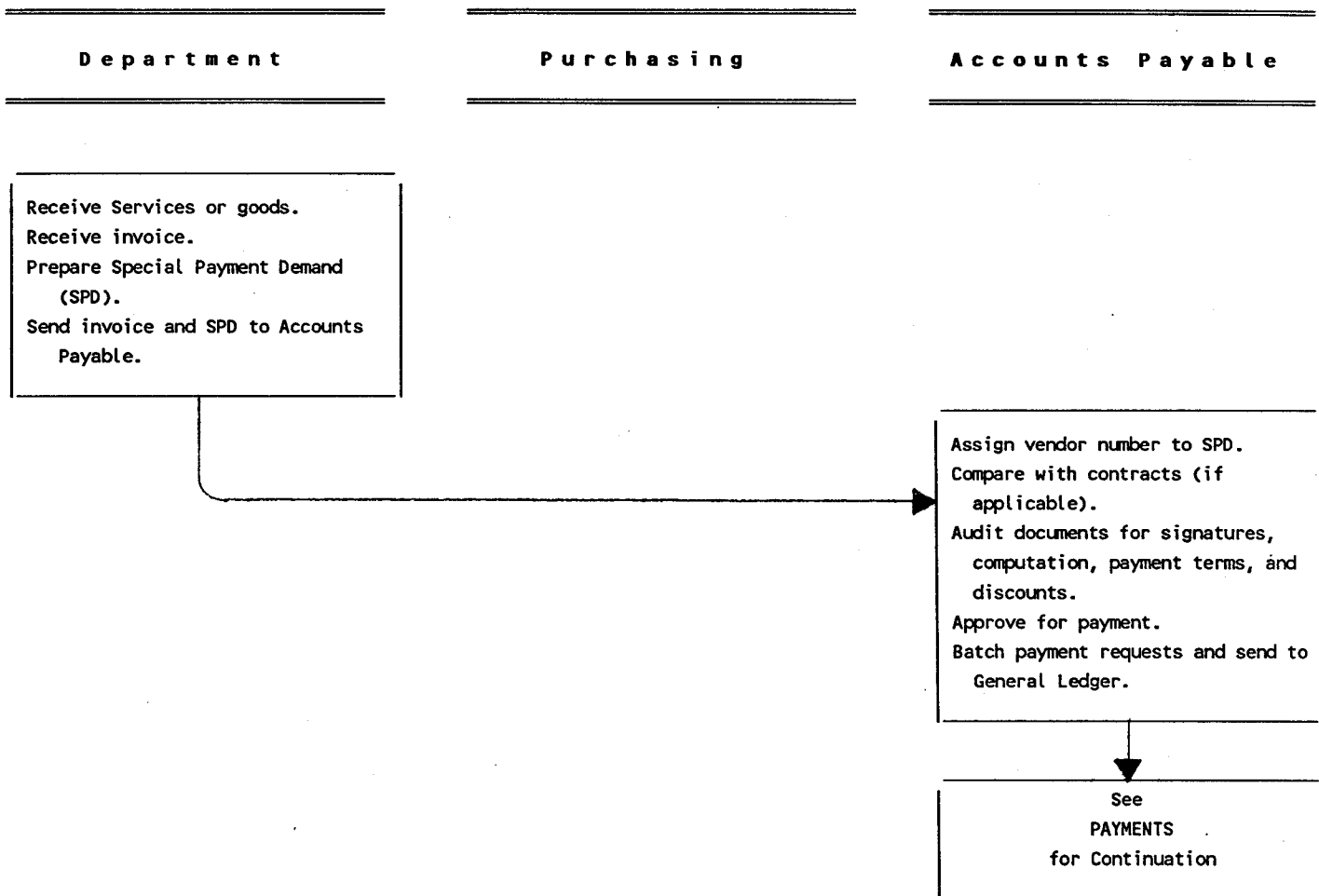


**CONFIRMING PURCHASE ORDERS
DOCUMENT FLOW**



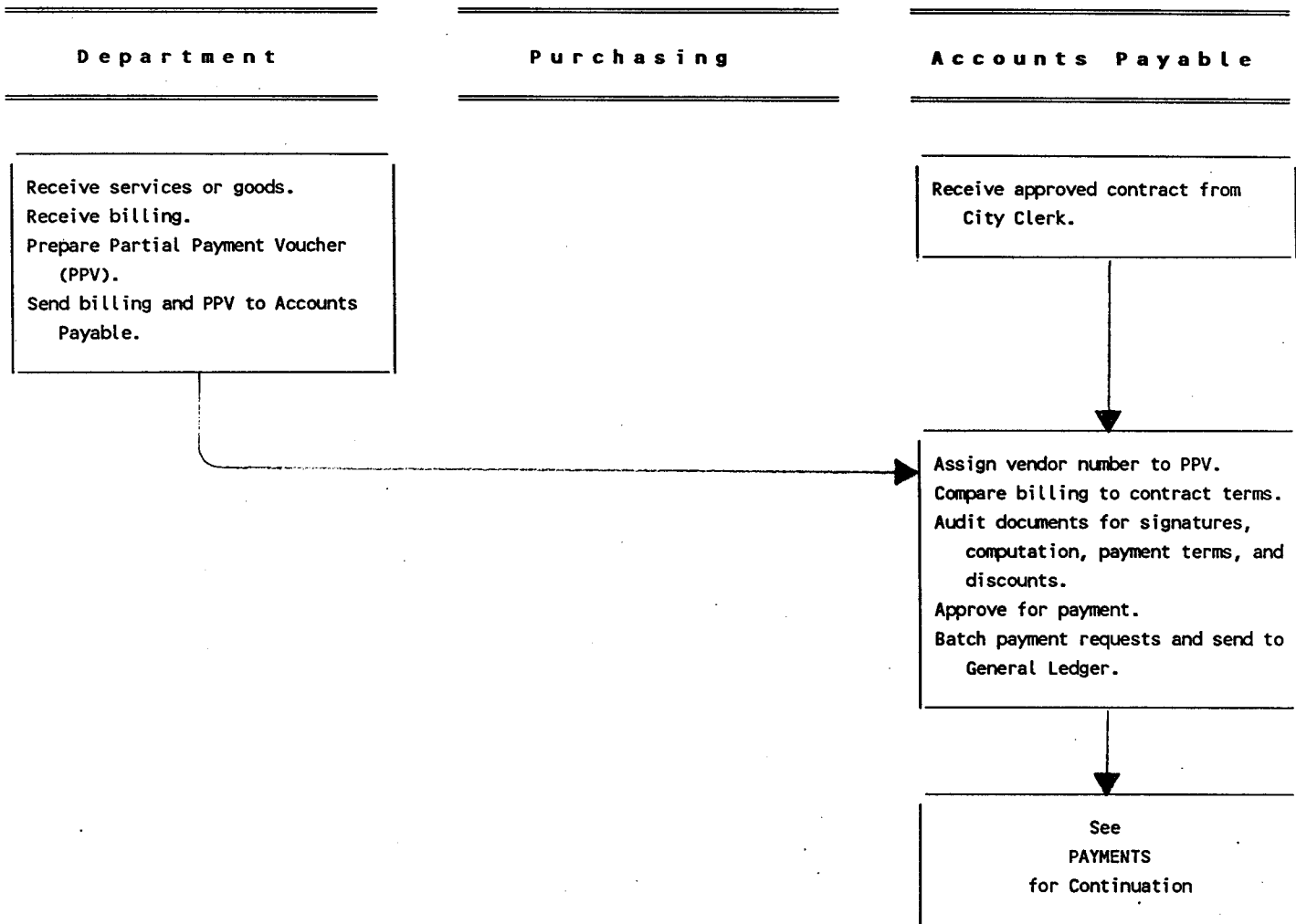
Prepared by: Office of the City Auditor, June 1987
Source: Accounting and Purchasing Staffs

**SPECIAL PAYMENT DEMANDS
DOCUMENT FLOW**



Prepared by: Office of the City Auditor, June 1987
Source: Accounting and Purchasing Staffs

**CONTRACTS
DOCUMENT FLOW**



Prepared by: Office of the City Auditor, June 1987
Source: Accounting and Purchasing Staffs

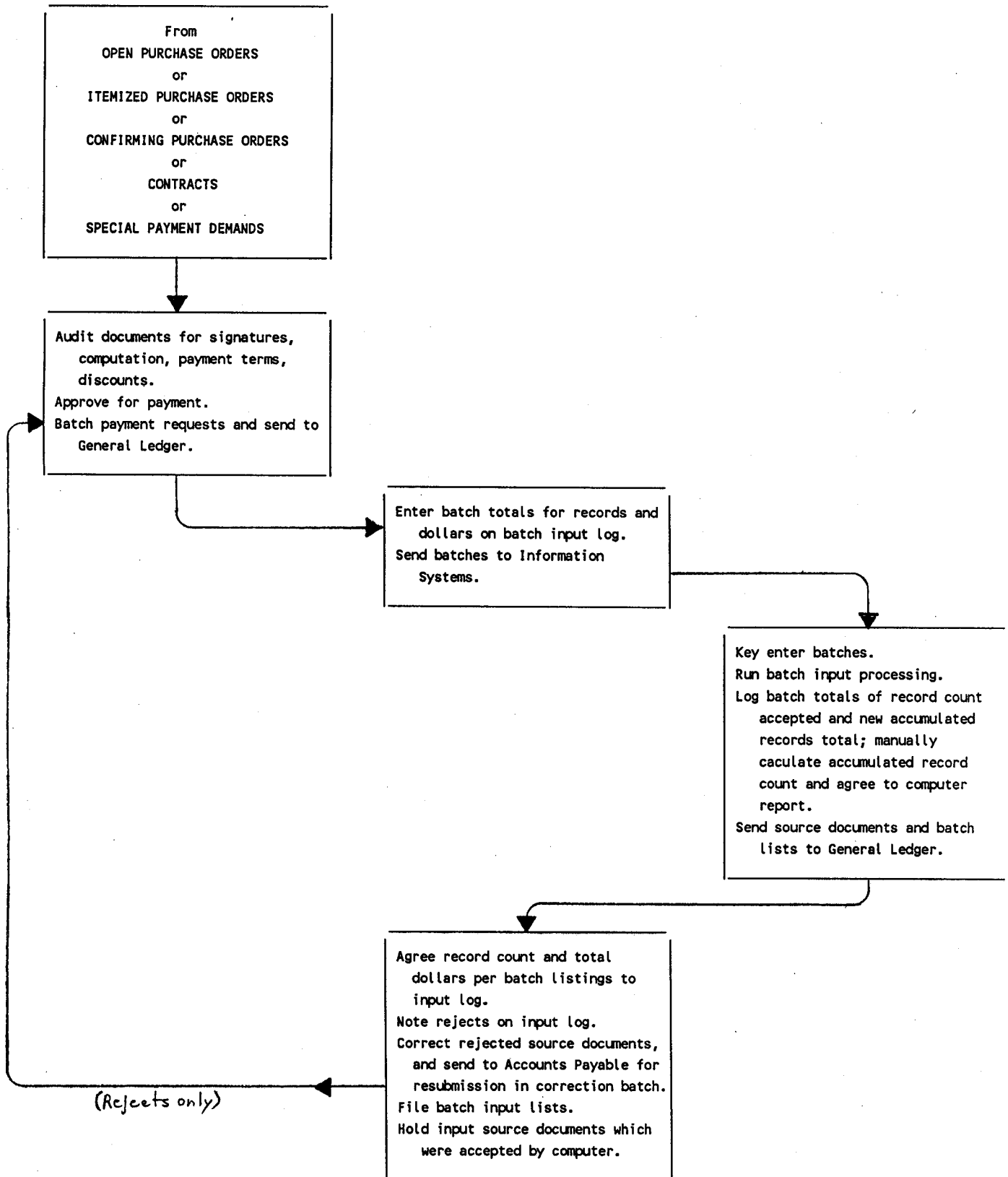
PAYMENTS
DOCUMENT FLOW

ATTACHMENT 14

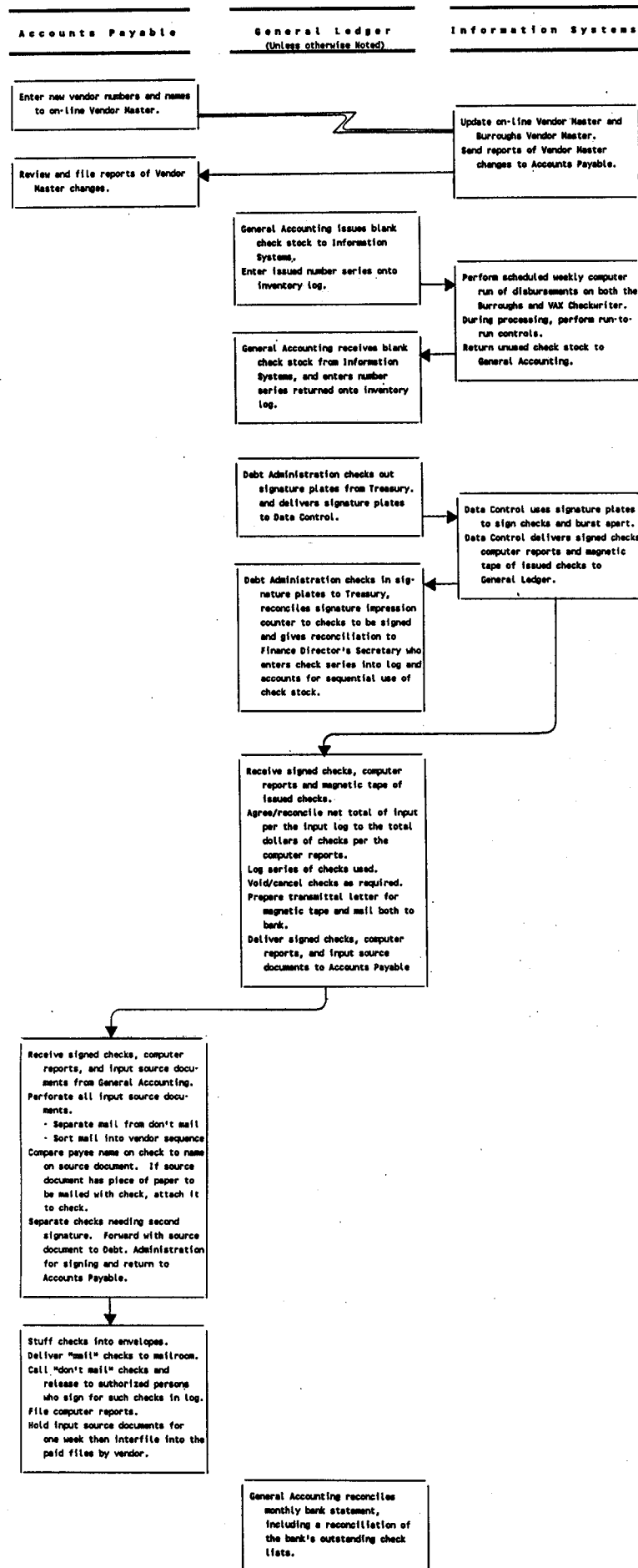
Accounts Payable

General Ledger

Information Systems



PAYMENTS
DOCUMENT FLOW



1985-86 NON-PERSONAL EXPENDITURES AUDIT
LATE PAYMENTS FOUND IN AUDIT SAMPLE

| CHK# | DATE | VENDOR | DOC# | CHK\$ | DAYS | DEPT | DOC# | CD | DEPARTMENT EXPLANATION |
|---------|------------|--------------------------------|-----------|-----------|-------|-------|-------|----|--|
| 1214324 | R 06/25/86 | LE DEIT BROTHERS GLASS SERVICE | 1015.07 | 2423.51 | 78 | Arprt | 2243 | U | Unknown reason for delay. |
| | | | | | | Arprt | 2243 | U | The original of the invoice was mailed by the vendor to the City and routed to the Airport on May 6, 1986. The pink copy was |
| | | | | | | Arprt | 2243 | U | matched with the original invoice and processed. The PV was |
| | | | | | | Arprt | 2243 | U | prepared and processed on May 7, 1986. It is unknown why the check |
| | | | | | | Arprt | 2243 | U | was not disbursed until June 25, 1986. |
| 1204497 | K 03/26/86 | NATIONAL COACH CORP. | 152460.40 | 152460.40 | 47-49 | Arprt | 58027 | D | Staff incurred delays. Airport staff in charge of receiving four |
| | | | | | | Arprt | 58027 | D | shuttle buses misplaced the receiving report. Airport Accounts |
| | | | | | | Arprt | 58027 | D | Payable had to make one up to satisfy Purchasing requirement for |
| | | | | | | Arprt | 58027 | D | payment on 3/18/86. |
| 1201677 | S 02/27/86 | BAY AREA & HOLDENER PETROLEUM | 990.34 | 990.34 | 45 | Arprt | 60077 | C | Incomplete documentation on the part of the vendor. |
| 1201678 | S 02/27/86 | BAYSHORE FRICTION MATERIALS | 48.04 | 546.87 | 47-49 | Arprt | 91298 | U | Unknown reason for delay. |
| | | | | | | Arprt | 91298 | U | To make efficient use of staff time, we usually accumulate |
| | | | | | | Arprt | 91298 | U | multiple invoices by vendor and process payment every 30 days. |
| | | | | | | Arprt | 91298 | U | Vendors mail original invoices monthly to the City, who in turn, |
| | | | | | | Arprt | 91298 | U | routes them to the Airport. These invoices were received on |
| | | | | | | Arprt | 91298 | U | 2/7/86 and matched and processed on 2/14/86. It is unknown why |
| | | | | | | Arprt | 91298 | U | the check was not disbursed until 2/27/86. |
| 1188549 | R 11/07/85 | LOCAL GOVERNMENT PUBLICATION | 127.20 | 127.20 | 55-64 | Atty | 765 | D | Staff incurred delays. |
| 1192069 | R 12/04/85 | WILLIAMS, PARKER, HARRISON, DI | 28.70 | 28.70 | 86 | Atty | 9818 | D | Staff incurred delays. |
| 1198699 | R 02/05/86 | THE STATE BAR OF CALIFORNIA | 3730.00 | 3730.00 | 58 | Atty | 9837 | F | The Legislature got involved in the issue of bar dues that year. |
| | | | | | | Atty | 9837 | F | A notice had been included that voluntary payment would be |
| | | | | | | Atty | 9837 | F | appreciated but it would be understood if the individuals |
| | | | | | | Atty | 9837 | F | awaited a decision. Our office waited. |
| 1183097 | R 09/25/85 | APPELATE PERSONNEL SERVICES | 202.60 | 4877.40 | 50 | Fin | 80939 | D | Staff incurred delays. |
| | | | | | | Fin | 80939 | D | Payment was made 34 days from date invoice was received. Payment |
| | | | | | | Fin | 80939 | D | was not prompt because division responsible did not forward |
| | | | | | | Fin | 80939 | D | approved invoice to Accounting. |

1985-86 NON-PERSONAL EXPENDITURES AUDIT
LATE PAYMENTS FOUND IN AUDIT SAMPLE

| CHK# | DATE | VENDOR | DOC# | CHK\$ | DAYS | DEPT | DOC# | CD | DEPARTMENT EXPLANATION |
|---------|------------|--------------------------------|-----------|-----------|--------|--------|---------|----|---|
| 1175077 | R 07/17/85 | ROBERT A. COOK & STAFF INC. | 113.48 | 113.48 | 49 | Fin-WC | 1024 E | | Staffing shortages. We are currently processing payments by computer which has improved performance in this area, but it is still not satisfactory. |
| | | | | | | Fin-WC | 1024 E | | |
| | | | | | | Fin-WC | 1024 E | | |
| 1191630 | R 12/04/85 | LEITER'S PHARMACY | 702.85 | 702.85 | 33-125 | Fin-WC | 6488 E | | Staffing shortages. |
| 1207981 | R 04/23/86 | D. JEFFREY DUCKHAM, M.D. | 333.54 | 333.54 | 75 | Fin-WC | 10761 E | | Staffing shortages. |
| 1214598 | R 06/18/86 | WILLIAM J. HAWES, M.D. | 128.70 | 128.70 | 61 | Fin-WC | 13339 E | | Staffing shortages. |
| 1215224 | R 06/18/86 | O'CONNOR HOSPITAL | 3304.27 | 3304.27 | 34-107 | Fin-WC | 13414 E | | Staffing shortages. |
| 1205325 | R 04/02/86 | ROBERT A. KELLEY, M.D. | 759.00 | 759.00 | 78 | Fin-WC | 15477 E | | Staffing shortages. |
| 1194934 | S 12/27/85 | PATHOLOGY LABORATORY | 227.45 | 227.45 | 80 | Fin-WC | 15523 E | | Staffing shortages. |
| 1194528 | R 12/23/85 | PIMENTEL, LINVILL, GILBERT & R | 186.00 | 186.00 | 94 | Fin-WC | 15625 E | | Staffing shortages. |
| 1195711 | R 01/08/86 | DIANE SHIRAIISHI, R.P.T. | 320.00 | 320.00 | 82 | Fin-WC | 15669 E | | Staffing shortages. |
| 1208866 | R 04/30/86 | DUNBAR-NUNN CORP | 114.42 | 114.42 | 48 | Fire | 25862 C | | Incomplete documentation on the part of the vendor. |
| | | | | | | Fire | 25862 C | | Priced tags or invoices never received at Fire. Typed |
| | | | | | | Fire | 25862 C | | documentation from estimate. |
| 1197447 | K 01/22/86 | PARAMOUNT EQUIPMENT SALES | 262937.52 | 394406.28 | 41 | Fire | 52636 U | | Unknown reason for delay. |
| | | | | | | Fire | 52636 U | | Invoices never came through Fire Department Fiscal Unit. |
| | | | | | | Fire | 52636 U | | Purchasing initiates payment. |
| 1198204 | R 01/29/86 | NATIONAL CHEMSEARCH | 541.90 | 541.90 | 64 | Fire | 58868 U | | Unknown reason for delay. |
| | | | | | | Fire | 58868 U | | Goods received at GSA Warehouse, not Fire. Invoices not |
| | | | | | | Fire | 58868 U | | handled by Fire. |
| 1178371 | R 08/14/85 | PENNIMAN & RICHARDS | 463.83 | 620.98 | 76-110 | Fire | 81147 C | | Incomplete documentation on the part of the vendor. |
| 1181486 | S 09/13/85 | L & N UNIFORM | 610.01 | 610.01 | 49 | Fire | 86554 D | | Staff incurred delays. |

1985-86 NON-PERSONAL EXPENDITURES AUDIT
LATE PAYMENTS FOUND IN AUDIT SAMPLE

| CHK# | DATE | VENDOR | DOC# | CHK\$ | DAYS | DEPT | DOC# | CD | DEPARTMENT EXPLANATION |
|---------|------------|--------------------------------|---------|----------|-------|------|-------|----|--|
| 1186529 | R 10/23/85 | JOHN RUSSO SHEET METAL | 219.62 | 219.62 | 28-65 | Fire | 86648 | F | Held invoice due to small amount owed. |
| 1194268 | S 12/19/85 | SAN JOSE BLUE PRINT | 194.37 | 2015.96 | 41-79 | Fire | 86650 | C | Incomplete documentation on the part of the vendor. |
| | | | | | | Fire | 86650 | C | Vendor slow to invoice---sometimes we have to call. Small amounts |
| | | | | | | Fire | 86650 | C | are sometimes held. |
| 1206661 | R 04/09/86 | UNION OIL CO. | 5164.64 | 19957.16 | 27-48 | Fire | 90082 | D | Staff incurred delays. |
| 1215887 | R 06/25/86 | GRUMMAN EMERGENCY PRODUCTS INC | 571.61 | 571.61 | 47-54 | Fire | 90234 | D | Staff incurred delays. |
| 1186986 | R 10/30/85 | EMERY WORLDWIDE | 103.45 | 103.45 | 67 | BSD | 11160 | C | Incomplete documentation on the part of the vendor. |
| | | | | | | BSD | 11160 | C | Emery Worldwide invoiced the City for a freight bill with no |
| | | | | | | BSD | 11160 | C | Purchase Order number or receiving department referenced on the |
| | | | | | | BSD | 11160 | C | invoice. This is frequently the case with freight bills and often |
| | | | | | | BSD | 11160 | C | results in late payment because of the difficulty of determining |
| | | | | | | BSD | 11160 | C | who in the City is responsible for the expense and should |
| | | | | | | BSD | 11160 | C | authorize payment. This was the cause of delay in this case as |
| | | | | | | BSD | 11160 | C | well. |
| 1183487 | R 09/25/85 | LOMBARDO CORE DRILLING | 95.00 | 95.00 | 97 | BSD | 24141 | D | Staff incurred delays. It appears likely that the original |
| | | | | | | BSD | 24141 | D | receiving tag for this service was misplaced. |
| 1194932 | S 12/30/85 | S & S WELDING | 65.00 | 65.00 | 200 | BSD | 24208 | D | Staff incurred delays. S & S Welding's Confirming Purchase Order |
| | | | | | | BSD | 24208 | D | had an incorrect vendor code number on it, which resulted in |
| | | | | | | BSD | 24208 | D | payment being made to the wrong vendor. Correction of this mistake |
| | | | | | | BSD | 24208 | D | was made, but the payment to S & S was very late. |
| 1191548 | S 12/02/85 | EDWARD B. WARD & CO. | 214.57 | 248.94 | 106 | BSD | 24422 | D | Staff incurred delays. Parts were obtained on this Confirming |
| | | | | | | BSD | 24422 | D | Purchase Order by an employee who was terminated, in part because |
| | | | | | | BSD | 24422 | D | of his failure to perform necessary paperwork, especially turning |
| | | | | | | BSD | 24422 | D | in receiving tags. |

1985-86 NON-PERSONAL EXPENDITURES AUDIT
LATE PAYMENTS FOUND IN AUDIT SAMPLE

| CHK# | DATE | VENDOR | DOC# | CHK\$ | DAYS | DEPT | DOC# | CD | DEPARTMENT EXPLANATION |
|---------|------------|----------------------------|-----------|-----------|--------|------|-------|----|--|
| 118975 | R 11/06/85 | OTIS ELEVATOR | 489.89 | 489.89 | 55 | 6SD | 25002 | B | Deficient or inadequate vendor performance. |
| | | | | | | 6SD | 25002 | B | Otis Elevator submitted two billings against one Confirming Purchase Order. We also have an Open Purchase Order with Otis. This situation has caused double payment to be made in the past. The lengthy processing time probably resulted from efforts to assure proper payment. |
| 1179191 | R 08/21/85 | SANTA CLARA M.O. NELSON | 12.04 | 12.04 | 72 | 6SD | 48665 | U | Unknown reason for delay--See Attachment 17. |
| 1189518 | K 11/13/85 | S & K TOYOTA | 163441.43 | 163441.43 | 44-110 | 6SD | 53810 | B | Deficient or inadequate vendor performance. |
| | | | | | | 6SD | 53810 | B | There were both incomplete and incorrect deliveries on this purchase order. Several difficulties had to be worked out with the vendor before payment could be processed. The deliveries were complete and correct on October 20, 1985, and the purchase order was sent to Finance for payment on October 22, 1985. |
| 1192420 | S 12/11/85 | GARDEN STATE INT'L TRUCKS | 61410.51 | 61410.51 | 50-57 | 6SD | 55980 | F | Garden State International Trucks' invoices apparently reflect their shipping date from Southern California. Our receiving dates are much later. Based on our receiving dates, the payments are timely. |
| 1215889 | R 06/25/86 | A & M MOTOR SUPPLY, INC. | 1836.56 | 1836.56 | 54-84 | 6SD | 60234 | U | Unknown reason for delay--See Attachment 17 |
| 1197447 | K 01/22/86 | PARAMOUNT EQUIPMENT SALES | 131468.76 | 394406.28 | 41 | 6SD | 91980 | B | Deficient or inadequate vendor performance. |
| | | | | | | 6SD | 91980 | B | Paramount Equipment Sales delivered fire apparatus to the City, but some discrepancies from the City's specifications were found upon inspection. Payment was delayed until this issue was resolved. |
| 1177714 | K 08/07/85 | SOUTH BAY FORD TRUCK SALES | 77610.12 | 117883.85 | 43-50 | 6SD | 94710 | F | South Bay Ford delivered equipment on three separate dates (6/27/85, 7/11/85, and 7/15/85), but still did not deliver all the equipment on the Purchase Order. Payment delay probably resulted from the need to inspect the equipment and to determine the correct payment amount. Payment was made 24 days after the final, partial delivery. |

1985-86 NON-PERSONAL EXPENDITURES AUDIT
LATE PAYMENTS FOUND IN AUDIT SAMPLE

| CHK# | DATE | VENDOR | DOC# | CHK# | DAYS | DEPT | DOC# | CD | DEPARTMENT EXPLANATION |
|---------|------------|--------------------------------|-----------|-----------|-------|--------|-------|----|---|
| 1198366 | R 01/29/86 | LE DEIT BROTHERS GLASS SERVICE | 2507.33 | 2737.15 | 58-92 | BSD | 96015 | U | Unknown reason for delay--See Attachment 17 |
| 1197599 | R 01/22/86 | MOORE'S INC. | 483.54 | 483.54 | 56-78 | BSD | 96019 | U | Unknown reason for delay--See Attachment 17 |
| 1203684 | R 03/19/86 | BECK'S SHOES INC. | 171.84 | 833.87 | 56 | BSD | 96199 | U | Unknown reason for delay--See Attachment 17 |
| 1207187 | R 04/16/86 | GRAYBAR ELECTRIC CO. | 1124.01 | 1124.01 | 36-63 | BSD | 96605 | U | Unknown reason for delay--See Attachment 17 |
| 1206562 | R 04/09/86 | HARRY L. MURPHY INC. | 263.48 | 263.48 | 35-56 | BSD | 96617 | U | Unknown reason for delay--See Attachment 17 |
| 1212702 | R 05/28/86 | PPG INDUSTRIES INC | 21.94 | 21.94 | 65 | BSD | 96921 | U | Unknown reason for delay--See Attachment 17 |
| 1216324 | R 06/25/86 | LE DEIT BROTHERS GLASS SERVICE | 1285.49 | 2423.51 | 51-84 | BSD | 97076 | U | Unknown reason for delay--See Attachment 17 |
| 1204142 | R 03/19/86 | HOWARD JONES | 2190.54 | 2406.56 | 51 | BSD | 98868 | U | Unknown reason for delay--See Attachment 17 |
| 1206996 | R 04/16/86 | H.S. CROCKER CO., INC. | 5468.47 | 5468.47 | 22-92 | BSD | 99019 | B | Deficient or inadequate vendor performance. |
| | | | | | | BSD | 99019 | B | H. S. Crocker's invoices are matched to receiving documents with |
| | | | | | | BSD | 99019 | B | a number of discrepancies noted by receiving staff. Resolving |
| | | | | | | BSD | 99019 | B | these problems led to delayed payment. |
| 1180734 | R 09/05/85 | A&M PAINT & BODY SHOP | 3067.12 | 3067.12 | 58 | BSD | 99701 | U | Unknown reason for delay--See Attachment 17 |
| 1184221 | R 10/02/85 | HOPPER, INC. | 53.54 | 53.54 | 55 | BSD | 99791 | U | Unknown reason for delay--See Attachment 17 |
| 1185943 | S 10/18/85 | A&M PAINT & BODY SHOP | 5134.83 | 5134.83 | 43-61 | BSD | 99881 | U | Unknown reason for delay--See Attachment 17 |
| 1215711 | S 11/06/85 | MC GRAM-HILL TRAINING SYSTEMS | 190.92 | 190.92 | 53 | InfSys | 57018 | A | Delivery incomplete. |
| 1191077 | K 11/25/85 | DIGITAL EQUIPMENT CORP. | 678440.69 | 678440.69 | 54-74 | InfSys | 57396 | A | Delivery incomplete. In accordance with the purchase agreement, |
| | | | | | | InfSys | 57396 | A | equipment is not accepted until all items are received, installed |
| | | | | | | InfSys | 57396 | A | and functioning. After acceptance, payment is processed. |
| 1183779 | S 09/25/85 | DAVIS & HANLEY INC. | 214.00 | 214.00 | 56-88 | InfSys | 57528 | C | Incomplete documentation on the part of the vendor. |

1985-86 NON-PERSONAL EXPENDITURES AUDIT
LATE PAYMENTS FOUND IN AUDIT SAMPLE

| CHK# | DATE | VENDOR | DOC# | CHK\$ | DAYS | DEPT | DOC# | CD | DEPARTMENT EXPLANATION |
|---------|------------|--------------------------------|----------|-----------|--------|--------|-------|----|---|
| 1212744 | R 05/28/86 | WANG LABS | 7091.08 | 18076.52 | 43-74 | InfSys | 93876 | E | Staffing shortages. |
| 1195724 | R 01/08/86 | VIETNAMESE BOOK STORE | 418.81 | 418.81 | 57 | Libr | 12338 | B | Deficient or inadequate vendor performance. |
| | | | | | | Libr | 12338 | B | Shipment was incomplete. |
| 1201159 | R 02/26/86 | BERNARD H. HAMEL SPANISH BOOKS | 140.81 | 280.18 | 219 | Libr | 12521 | B | Deficient or inadequate vendor performance. |
| 1204515 | R 03/26/86 | VIETNAMESE BOOK STORE | 10277.95 | 10277.95 | 132 | Libr | 18648 | B | Deficient or inadequate vendor performance. |
| 1206095 | R 04/09/86 | AMERICAN DISTRICT TELEGRAPH CO | 484.24 | 484.24 | 99 | Libr | 56499 | C | Incomplete documentation on the part of the vendor. |
| | | | | | | Libr | 56499 | C | Statement was incorrect and we had to wait for corrected statement. |
| 1190083 | S 11/15/85 | PINKERTON'S, INC. | 1480.00 | 1480.00 | 46 | Libr | 80763 | C | Incomplete documentation on the part of the vendor. |
| 1197442 | R 01/22/86 | ADVANCED INFORMATION MANAGEMEN | 1382.50 | 1382.50 | 42 | Libr | 80833 | C | Incomplete documentation on the part of the vendor. |
| 1176348 | S 07/31/85 | SAUSALITO MOVING & STORAGE | 1408.94 | 1408.94 | 83 | Mgr | 23805 | C | Incomplete documentation on the part of the vendor. |
| 1181948 | R 09/18/85 | DEAF COUNSELLING ADVOCACY & RE | 187.60 | 187.60 | 64-75 | N Pres | 7888 | E | Staffing shortages. |
| 1194268 | S 12/19/85 | SAN JOSE BLUE PRINT | 44.34 | 2015.96 | 42-70 | N Pres | 85682 | U | Unknown reason for delay. |
| 1176098 | K 07/24/85 | GOLDEN STATE TITLE CO. | 385.00 | 102543.75 | 131 | N Pres | 85762 | B | Deficient or inadequate vendor performance. |
| 1177392 | R 08/07/85 | EMCON ASSOCIATES | 1994.96 | 1994.96 | 38-129 | N Pres | 85769 | D | Staff incurred delays. |
| 1204444 | S 04/23/86 | NORTH AMERICAN CORP. | 96.06 | 96.06 | 44 | N Pres | 87033 | D | Staff incurred delays. |

1985-86 NON-PERSONAL EXPENDITURES AUDIT
LATE PAYMENTS FOUND IN AUDIT SAMPLE

| CHK# | DATE | VENDOR | DOC# | CHK\$ | DAYS | DEPT | DOC# | CD | DEPARTMENT EXPLANATION |
|---------|------------|----------------------------|-----------|-----------|------|--------|-------|----|---|
| 1204225 | R 03/19/86 | SAN JOSE WATER COMPANY | 25.36 | 315.73 | 47 | NMaint | 14148 | F | The Department pays approximately 650 water bills each month. |
| | | | | | | NMaint | 14148 | F | The major portion of these bills arrive at the same time and are |
| | | | | | | NMaint | 14148 | F | paid within a week. Some bills, however, are sent to the wrong |
| | | | | | | NMaint | 14148 | F | department, lost in the mail or otherwise delayed in transit. The |
| | | | | | | NMaint | 14148 | F | bills that are received after the main payment has been made are |
| | | | | | | NMaint | 14148 | F | held until the following month and paid on a supplemental payment. |
| | | | | | | NMaint | 14148 | F | The reason for holding the bills for this length of time is to |
| | | | | | | NMaint | 14148 | F | insure that all the late bills have been received and a "second" |
| | | | | | | NMaint | 14148 | F | supplemental payment will not be required. The water company knows |
| | | | | | | NMaint | 14148 | F | that this is our payment procedure on all bills received after the |
| | | | | | | NMaint | 14148 | F | major payment has been made and has not objected to the few bills |
| | | | | | | NMaint | 14148 | F | that are paid late. |
| 1183171 | R 09/25/85 | SCREENED IMAGES | 194.21 | 194.21 | 54 | NMaint | 56298 | D | Staff incurred delays. |
| 1189720 | R 11/13/85 | SAN JOSE ART | 9.45 | 115.56 | 43 | NMaint | 82100 | F | Amount of the invoice was so small that the bill was held hoping that |
| | | | | | | NMaint | 82100 | F | other charges would be made and could be combined on one voucher. |
| 1201680 | S 02/27/86 | BECK'S SHOES, INC. | 270.00 | 2391.02 | 58 | NMaint | 89932 | E | Staffing shortages. |
| 1211824 | K 05/21/86 | BFI INT'L DISPOSAL CORP. | 424519.34 | 424519.34 | 56 | DEM | 10435 | F | First payment under new contract. Delay experienced in setting up |
| | | | | | | DEM | 10435 | F | payment process. |
| 1186497 | K 10/23/85 | PACIFIC GAS & ELECTRIC CO. | 200.37 | 587218.41 | 75 | P & R | 10143 | F | This was the initial payment on a new account. As part of our |
| | | | | | | P & R | 10143 | F | regular procedure, the Department's fiscal section checks with |
| | | | | | | P & R | 10143 | F | programming staff to verify acceptance of the facility and the |
| | | | | | | P & R | 10143 | F | meter location. In this particular situation, field staff was |
| | | | | | | P & R | 10143 | F | unable to locate the meter. It turned out that the contractor |
| | | | | | | P & R | 10143 | F | had installed a sub-meter on the service line which had a P&E |
| | | | | | | P & R | 10143 | F | number. P&E investigated and cleared up the matter and verified |
| | | | | | | P & R | 10143 | F | that they had read the correct meter. |
| 1194261 | S 10/23/85 | SAN JOSE MERCURY NEWS | 127.44 | 190.44 | 49 | P & R | 10184 | D | Staff incurred delays. |

1985-86 NON-PERSONAL EXPENDITURES AUDIT
LATE PAYMENTS FOUND IN AUDIT SAMPLE

| CHK# | DATE | VENDOR | DOC# | CHK\$ | DAYS | DEPT | DOC# | CD | DEPARTMENT EXPLANATION |
|---------|------------|--------------------------------|---------|---------|--------|--------|-------|----|--|
| 1194268 | S 12/19/85 | SAN JOSE BLUE PRINT | 1613.57 | 2015.96 | 42-56 | P & R | 92844 | D | Staff incurred delays. |
| | | | | | | P & R | 92844 | D | The Department has an Open Purchase Order with San Jose Blue |
| | | | | | | P & R | 92844 | D | Print, which is paid once a month. As a normal course of |
| | | | | | | P & R | 92844 | D | events, we wait for the vendor's statement to insure that all the |
| | | | | | | P & R | 92844 | D | outstanding invoices are accounted for. If invoices are missing, |
| | | | | | | P & R | 92844 | D | we contact the vendor to get the name of the employee who signed |
| | | | | | | P & R | 92844 | D | on the invoices not yet submitted and then contact the appropriate |
| | | | | | | P & R | 92844 | D | staff member to submit the invoice. At this late date we cannot |
| | | | | | | P & R | 92844 | D | determine if the vendor failed to submit a timely statement or if |
| | | | | | | P & R | 92844 | D | we had to get staff to bring in invoices. |
| 1183803 | R 10/02/85 | ALUM ROCK UNION SCHOOL DIST. | 460.00 | 460.00 | 48 | P & R | 98009 | D | Staff incurred delays. |
| 1182340 | S 09/19/85 | COATES HERFURTH & ENGLAND, INC | 1500.00 | 1500.00 | 56-167 | Pers | 12932 | D | Staff incurred delays. |
| | | | | | | Pers | 12932 | D | Original invoice and check lost by Finance. Paid with a duplicate |
| | | | | | | Pers | 12932 | D | invoice. |
| 1194933 | S 12/27/85 | PATHOLOGY LABORATORY | 1326.00 | 1326.00 | 88-118 | Pers | 85028 | C | Incomplete documentation on the part of the vendor. |
| | | | | | | Pers | 85028 | C | The City did not receive a bill until 11/6/85 for these August |
| | | | | | | Pers | 85028 | C | and September statements. Pathology Laboratory chronically bills |
| | | | | | | Pers | 85028 | C | late. |
| 1204925 | R 03/26/86 | SEVEN ELEVEN FOOD STORES | 125.00 | 125.00 | 140 | Ping | 13190 | D | Staff incurred delays. Misplaced documentation. |
| 1197816 | S 01/23/86 | SAN JOSE BLUEPRINT CO. | 375.13 | 3669.04 | 86-114 | Ping | 81066 | C | Incomplete documentation on the part of the vendor. |
| | | | | | | Ping | 81066 | C | Delay in receiving final bill. |
| 1198629 | R 02/03/86 | UNIVERSITY ART CENTER | 104.86 | 234.32 | 90-106 | Ping | 81070 | U | Unknown reason for delay. |
| 1198629 | S 02/03/86 | UNIVERSITY ART CENTER | 22.06 | 234.32 | 69 | Ping | 81071 | U | Unknown reason for delay. |
| 1175427 | R 07/17/85 | LANIER BUSINESS PRODUCTS | 118.09 | 715.78 | 62 | Police | 53756 | U | Unknown reason for delay. |
| | | | | | | Police | 53756 | U | Line item purchase orders are paid by Purchasing. |

1985-86 NON-PERSONAL EXPENDITURES AUDIT
LATE PAYMENTS FOUND IN AUDIT SAMPLE

| CHK# | DATE | VENDOR | DOC# | CHK\$ | DAYS | DEPT | DOC# | CD | DEPARTMENT EXPLANATION |
|---------|------------|--------------------------------|---------|---------|-------|--------|-------|----|--|
| 1187061 | R 10/30/85 | BROADCAST MARKETING ASSOCIATES | 249.42 | 249.42 | 75 | Police | 56759 | U | Unknown reason for delay. |
| | | | | | | Police | 56759 | U | Purchasing handled this transaction. |
| 119206 | S 01/09/86 | SAFETY SPECIALISTS, INC. | 7285.21 | 7285.21 | 44 | PW | 58377 | B | Deficient or inadequate vendor performance. |
| 1179593 | R 08/28/85 | STURGIS, NESS, BRUNSELL & SPER | 3646.60 | 4231.60 | 58 | PW | 86819 | D | Staff incurred delays. |
| 1181488 | S 09/13/85 | WOODWARD-CLYDE CONSULTANTS | 2806.46 | 2806.46 | 57-92 | PW | 86863 | C | Incomplete documentation on the part of the vendor. |
| | | | | | | PW | 86863 | C | Consultant failed to send back-up for outside services billed |
| 1206066 | S 04/04/86 | RUSS ENTERPRISES, INC. | 209.93 | 209.93 | 53 | Traf | 25140 | D | Staff incurred delays. |
| | | | | | | Traf | 25140 | D | Delay was caused by confusion over Charge Number. |
| 1196647 | R 01/15/86 | GRAYBAR ELECTRIC CO | 2922.34 | 4173.33 | 51 | Traf | 58853 | U | Unknown reason for delay. |
| | | | | | | Traf | 58853 | U | Transaction was handled by Purchasing. |
| 1195654 | S 01/06/86 | PRACTICAL MANAGEMENT ASSOCIATE | 37.98 | 37.98 | 153 | WPCP | 9020 | A | Delivery incomplete. |
| 1212255 | S 05/27/86 | BROOKLYN TRUCKING | 22.65 | 22.65 | 312 | WPCP | 19727 | U | Unknown reason for delay. |
| | | | | | | WPCP | 19727 | U | WPC has no control over payment of freight bills. All freight |
| | | | | | | WPCP | 19727 | U | bills are processed by Purchasing. |
| 1208659 | R 04/30/86 | BAY ENGINE & PARTS | 479.58 | 479.58 | 43 | WPCP | 25549 | U | Unknown reason for delay. |
| | | | | | | WPCP | 25549 | U | Confirming Purchase Order issued 3/11/86, sent documents forward |
| | | | | | | WPCP | 25549 | U | on 3/21/86, Accounts Payable paid on 4/30/86. |
| 1177688 | R 08/07/85 | SAN JOSE BLUE PRINT SERVICES & | 848.77 | 4892.22 | 43-62 | WPCP | 48224 | C | Incomplete documentation on the part of the vendor. |
| 1177424 | R 08/07/85 | KIELTY & DAYTON | 175.37 | 175.37 | 106 | WPCP | 53021 | U | Unknown reason for delay. |
| | | | | | | WPCP | 53021 | U | Not received at WPCP, received at the Central Warehouse. |
| | | | | | | WPCP | 53021 | U | Payment is not controlled by WPCP. |
| 1196204 | S 01/09/86 | SABRE CONTROLS | 1288.47 | 1288.47 | 122 | WPCP | 56571 | U | Unknown reason for delay. |
| | | | | | | WPCP | 56571 | U | Not received at WPCP, received at the Central Warehouse. |
| | | | | | | WPCP | 56571 | U | Payment is not controlled by WPCP. |

1985-86 NON-PERSONAL EXPENDITURES AUDIT
LATE PAYMENTS FOUND IN AUDIT SAMPLE

| CHK# | DATE | VENDOR | DOC# | CHK\$ | DAYS | DEPT | DOC# | CD | DEPARTMENT EXPLANATION |
|---------|------------|--------------------------------|---------|---------|--------|------|-------|----|---|
| 1201686 | S 02/27/86 | THE BROSE COMPANY | 1662.54 | 1662.54 | 70-86 | WPCP | 59290 | U | Unknown reason for delay. |
| | | | | | | WPCP | 59290 | U | Accounts Payable does not pay until purchase order is complete. |
| | | | | | | WPCP | 59290 | U | We received final shipment on 12/27/85. Paid by Accounts Payable |
| | | | | | | WPCP | 59290 | U | on 2/26/86. Payment held up in Accounts Payable. |
| 1214783 | R 06/18/86 | FUSES UNLIMITED | 557.43 | 557.43 | 57-105 | WPCP | 61211 | U | Unknown reason for delay. |
| | | | | | | WPCP | 61211 | U | Not received at WPCP, received at the Central Warehouse. |
| | | | | | | WPCP | 61211 | U | Payment is not controlled by WPCP. |
| 1179161 | R 08/21/85 | PROTECTION ENGINEERING, INC. | 358.56 | 358.56 | 49 | WPCP | 80065 | C | Incomplete documentation on the part of the vendor. |
| | | | | | | WPCP | 80065 | C | Received goods 7/3. Invoice was received and processed at |
| | | | | | | WPCP | 80065 | C | WPC on 8/13. |
| 1183097 | R 09/25/85 | APPLIGATE PERSONNEL SERVICES | 3095.81 | 4877.40 | 50 | WPCP | 85916 | C | Incomplete documentation on the part of the vendor. |
| | | | | | | WPCP | 85916 | C | Services for the month of August were processed upon receipt of |
| | | | | | | WPCP | 85916 | C | final invoice from vendor. Prepared voucher on 9/10; paid by |
| | | | | | | WPCP | 85916 | C | Accounts Payable on 9/24. |
| 1190141 | R 11/20/85 | ARROWHEAD INDUSTRIAL WATER | 32.80 | 32.80 | 47 | WPCP | 88849 | F | Vendor invoices one month in advance. WPC processed file on 11/14 |
| | | | | | | WPCP | 88849 | F | and it was paid by Accounts Payable on 11/20. |
| 1212938 | R 06/04/86 | WASTE MANAGEMENT OF SANTA CLAR | 5252.00 | 7576.96 | 47-71 | WPCP | 89292 | C | Incomplete documentation on the part of the vendor. |
| | | | | | | WPCP | 89292 | C | There has been a persistent problem getting Waste Management |
| | | | | | | WPCP | 89292 | C | to send the City original invoices. |
| 1202353 | R 03/05/86 | TELSTAR INSTRUMENTS | 3218.54 | 3218.54 | 78 | WPCP | 93480 | F | Waiting for additional encumbrance. Requested 2/7/86 and approved |
| | | | | | | WPCP | 93480 | F | by Council 3/25/86. |

1985-86 NON-PERSONAL EXPENDITURES AUDIT
DEFICIENT APPROVING SIGNATURES AND/OR MISSING RECEIVING DOCUMENTS

| CHK# | DATE | DEPT | DOC# | VENDOR | DOC\$ | AUDIT FINDING | DEPARTMENT EXPLANATION |
|---------|----------|-------|-------|---------------------|----------|---|--|
| 1216324 | 06/25/86 | Arprt | 2243 | LE DEIT BROTHERS | 1,015.07 | No receiving document or signature on one or more invoices | The pink copy of the invoice, obtained when the product is received, is used as the receiving slip. The pink copy of the invoice has Chuck Moreno's signature. The pink copy was matched with the original invoice and processed. |
| 1206661 | 04/09/86 | Fire | 90082 | UNION OIL CO. | 5,164.64 | No receiving document or signature on one or more invoices | Fuel is delivered to Fire Stations from orders placed by Purchasing. The tanker may deliver while the station personnel are out on a call; therefore no receiving signature. Station personnel forward the receiving tag left by the fuel company to Fire Administration-Fiscal Unit. On Monday morning each week, stations report their fuel inventory and deliveries. This is taken from dipstick readings. The Fiscal Unit checks receiving tags against these weekly inventory/delivery reports to determine the validity of the tags. The signature on the Partial Payment Voucher indicates approval of all attachments. |
| 1179191 | 08/21/85 | 65D | 48665 | STA CLA N.O. NELSON | 12.04 | Receiver (on one or more invoices) is not on list of authorized personnel on the Purchase Order | This Purchase Order was opened for the Tuers Yard warehouse and listed Frank Losquardo, the Storekeeper for that warehouse, among the authorized personnel. We subsequently reassigned personnel with the result that Tony Brigiotta, who received this item, became the Storekeeper at Tuers. Therefore, he was an authorized receiver. |
| 1179203 | 08/21/85 | 65D | 48208 | SHYTHE BUICK | 329.98 | Receiver (on one or more invoices) is not on list of authorized personnel on the Purchase Order | Ruben Chavez, who received this item, is one of our Equipment Maintenance Supervisors. He was specifically authorized by Sam Gaetz to pick up this item in order to expedite repair work in his shop. Therefore, he was an authorized receiver on a one-time basis. |
| 1122244 | 05/22/86 | 65D | 96830 | ALHAMBRA NATL WATER | 152.25 | No receiving document or signature on one or more invoices | We have been paying Alhambra bills without receiving tags in some cases because we do not have personnel from our Department present in all locations served and because Alhambra will deliver without obtaining a signature if no one is readily available. This process is not ideal. We may discontinue Alhambra service to other departments and resolve the issue in that manner. |

1985-86 NON-PERSONAL EXPENDITURES AUDIT
DEFICIENT APPROVING SIGNATURES AND/OR MISSING RECEIVING DOCUMENTS

| CHK# | DATE | DEPT | DOC# | VENDOR | DOC\$ | AUDIT FINDING | DEPARTMENT EXPLANATION |
|---------|----------|--------|-------|-----------------------|--------|---|---|
| 1183779 | 09/23/85 | InfSys | 57528 | DAVIS & HANLEY INC. | 214.00 | No receiving document or signature on one or more invoices | This was a continuation of the prior fiscal year rental of equipment. This payment was for rental of equipment on an Open Purchase Order, which we normally do not send a receiving report for. |
| 1197816 | 01/23/86 | Plng | 81064 | SAN JOSE BLUEPRINT CO | 485.65 | No receiving document or signature on one or more invoices | Employee forgot to sign invoice when picking up material or lost receiving copy. |
| 1197816 | 01/23/86 | Plng | 81080 | SAN JOSE BLUEPRINT CO | 252.11 | No receiving document or signature on one or more invoices | Employee forgot to sign invoice when picking up material or lost receiving copy. |
| 1197816 | 01/23/86 | Plng | 81078 | SAN JOSE BLUEPRINT CO | 452.46 | No receiving document or signature on one or more invoices | Employee forgot to sign invoice when picking up material or lost receiving copy. |
| 1197816 | 01/23/86 | Plng | 81066 | SAN JOSE BLUEPRINT CO | 375.13 | No receiving document or signature on one or more invoices | Employee forgot to sign invoice when picking up material or lost receiving copy. |
| 1194292 | 12/23/85 | Traf | 81395 | PARGAS OF SAN JOSE | 289.10 | Receiver (on one or more invoices) is not on list of authorized personnel on the Purchase Order | James Zuniga (who signed the invoice) was supervising in the absence of Mauricio Salazar (the authorized signer), and was unfamiliar with authorized signatures. |
| 1177688 | 08/07/85 | WPCP | 48224 | SAN JOSE BLUEPRINT CO | 848.77 | Receiver (on one or more invoices) is not on list of authorized personnel on the Purchase Order | Approver was authorized after the preparation of the Purchase Order. |
| 1194293 | 12/23/85 | WPCP | 88808 | PROTECTION ENG'G | 315.29 | No receiving document or signature on one or more invoices | Receiving document was submitted on 10/9/85. Receiving document was apparently lost during processing by Accounts Payable. |

CITY OF SAN JOSE—MEMORANDUM

TO Gerald A. Silva, City Auditor

FROM James R. Daniels

SUBJECT 1985-86 LATE PAYMENTS

DATE April 27, 1987

APPROVED

DATE

The purpose of this memorandum is to reply to your letter dated April 10, 1987 concerning the above subject. We have not been able to determine the cause of all the late payments you identified, as you will see on the enclosed listing we are returning to you. Therefore, we are providing a general discussion of the payment process to explain the difficulties of analysis and to suggest some possibilities for speeding up the process. We are also providing additional detail on the items we have been able to research.

The late payments we have not been able to research were made against open purchase orders as opposed to line item purchase orders. The steps in the payment process for open purchase orders as we understand them are outlined with comments below:

1. Vendor sends invoice: The invoice date may or may not approximate the mailing date. Some vendors make out invoices as items or services are delivered, but only mail them out once a week or once a month. Other vendors' invoice dates match shipping dates and predate the City's receipt of the goods, sometimes by significant margins.
2. Finance receives invoices and distributes them to the appropriate departments. Finance does not date stamp invoices as to when they are received or as to when they are routed to departments.
3. Department receives invoices and matches to receiving documents. Departments do not date stamp the invoices as to when they are received from Finance. General Services informally dates invoices indicating when copies are distributed to line staff requesting receiving documents. This is done only when departmental accounting staff do not have the receiving documents already in hand. Receiving signatures are dated but may not reflect when the item or service was actually received or when the document was received by departmental accounting staff.
4. Department prepares partial payment voucher and routes to Purchasing. The partial payment voucher is dated. This is the first recorded date in the procedure which provides a reliable reference point.
5. Purchasing receives the voucher, and reviews it for conformance with the terms of the Purchase Order, and routes it to Finance. Purchasing date stamps the voucher in, but not out.
6. Finance receives the voucher and prepares the check. Finance does not date stamp the voucher in, but does stamp the voucher with the date the check is printed. This is the last reliable recorded date in the process. Checks are routinely printed on Wednesdays and mailed on Fridays. Noon on the previous Friday is the deadline for a check to be

RECEIVED
APR 29 1987

CITY AUDITOR

Gerald A. Silva, City Auditor
1985-86 LATE PAYMENTS

Page 2
April 27, 1987

printed on Wednesday. Special checks are dated and mailed the day they are signed, but the date stamped on the purchase order will be the normal Wednesday payment date.

As you can see, no reliable dates are recorded in this process until the Partial Payment Voucher is prepared. Therefore, reconstructing events from 1985 is very difficult at this point, since we are producing approximately 175 Partial Payment Vouchers every month. We have not indicated a code opposite the Open Purchase Orders for this reason. The only reason for late payment of any of these which our staff can recall applies to A & M Paint and Body Shop. There was a delay in setting up the 1985-86 Open Purchase Order with this vendor which may have accounted for a delay in payments.

Several comments seem appropriate regarding the payment process outlined above. Most delays occur from difficulties in matching invoices with receiving documents. With so many employees Citywide receiving goods and services, this will always be a problem to some degree. The payment process could be looked at for streamlining. Another idea would be for invoices to be date-stamped as they are received by the City, so that a reliable starting point for analysis can be established.

Comments on the items we have coded are as follows:

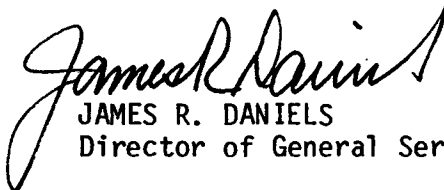
1. South Bay Ford delivered equipment on three separate dates (6/27/85, 7/11/85, and 7/15/85), but still did not deliver all the equipment on the Purchase Order. Payment delay probably resulted from the need to inspect the equipment and to determine the correct payment amount. Payment was made 24 days after the final, partial delivery.
2. Lombardo Core Drilling: It appears likely that the original receiving tag for this service was misplaced.
3. Emery Worldwide invoiced the City for a freight bill with no Purchase Order number or receiving department referenced on the invoice. This is frequently the case with freight bills and often results in late payment because of the difficulty of determining who in the City is responsible for the expense and should authorize payment. This was the cause of delay in this case as well.
4. Otis Elevator submitted two billings against one Confirming Purchase Order. We also have an Open Purchase Order with Otis. This situation has caused double payment to be made in the past. The lengthy processing time probably resulted from efforts to assure proper payment.

Gerald A. Silva, City Auditor
1985-86 LATE PAYMENTS

Page 3
April 27, 1987

5. S&K Toyota: There were both incomplete and incorrect deliveries on this purchase order. Several difficulties had to be worked out with the vendor before payment could be processed. The deliveries were complete and correct on October 20, 1985, and the purchase order was sent to Finance for payment on October 22, 1985.
6. E.B. Ward and Co.: Parts were obtained on this Confirming Purchase Order by an employee who was terminated, in part because of his failure to perform necessary paperwork, especially turning in receiving tags.
7. Garden State International Trucks' invoices apparently reflect their shipping date from Southern California. Our receiving dates are much later. Based on our receiving dates, the payments are timely.
8. S. & S. Welding's Confirming Purchase Order had an incorrect vendor code number on it, which resulted in payment being made to the wrong vendor. Correction of this mistake was made, but the payment to S. & S. was very late.
9. Paramount Equipment Sales delivered fire apparatus to the City, but some discrepancies from the City's specifications were found upon inspection. Payment was delayed until this issue was resolved.
10. H. S. Crocker's invoices are matched to receiving documents with a number of discrepancies noted by receiving staff. Resolving these problems led to delayed payment.

Please contact Ellis Jones, x5522, if you have any questions on the information above.


JAMES R. DANIELS
Director of General Services

EMJ:JRD:j1
(7223G)

CITY OF SAN JOSE—MEMORANDUM

RECEIVED
MAY 15 1987
CITY AUDITOR

TO Gerald Silva, City Auditor

FROM James R. Daniels

SUBJECT 1985-86 LOST DISCOUNTS

DATE May 11, 1987

APPROVED

DATE

Members of my staff and yours met to discuss various preliminary findings in your Office's review of 1985-86 non-personal expenditures. Subsequently, we researched two checks representing \$3,800 in lost discounts, because we considered those items significant and deserving of follow-up. The results of our research are summarized below, for your information and use in producing a final report to the City Council.

CHECK NO. 1190089 - AL EAMES FORD

This check paid for 21 Ford Tempo Sedans on three different purchase orders received on four different dates. Nine vehicles received on October 28, 1985 were not paid for until November 20, 1985 which was two days late for the discount. The receiving reports were signed and dated November 8th and 12th which were consecutive work days. The total purchase of 48 Tempo Sedans on Purchase Orders 57017, 57132 and 57134 were invoiced on 10 separate invoices which ranged from 1 to 10 Sedans each. Vehicle delivery trucks hold a maximum of nine vehicles. The vendor's delivery over a twelve day period and the method of invoicing the City produced a confusing situation which led to the lost discounts.

CHECK NO. 1174949 - JOHN EHRET DODGE CHRYSLER

This check paid for 2 Dodge Ramchargers received from John Ehret Dodge Chrysler Inc. The receiving documents are copies of the vendor invoice which are not dated. The only other correspondence received from the vendor stated that the vehicles were about to be shipped and reminded us that we had 20 days to remit payments also lacked a date. Due to the vendor's failure to date these documents, employees handling the payment process did not know what date payment had to be made by. The employee signing the receiving document has since then retired from City service and is therefore not available to comment on the actual date of receiving the two Dodge Ramchargers. The vendor states that delivery was made on May 28, 1985, which is a date that can neither be substantiated or denied by any current City employees.

There appear to be two areas that may be improved on to meet deadlines for vendor discounts:

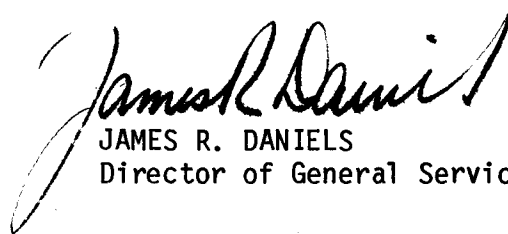
1. Receiving documents must be signed and forwarded more expediently. At the time of this incident, the employee processing vehicles consumed 57% of the available time. The employee currently performing this task uses less than 30% of the available time.
2. Receiving reports are handled by three different administrative areas prior to being received by Finance Accounting. The total processing time is approximately ten calendar days. The Department Administrative section will be moving to the Main Service Yard soon, which will reduce routing and processing time by approximately four days.

Gerald Silva, City Auditor
1985-86 LOST DISCOUNTS

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May 11, 1987

The review of the three purchase orders which collectively purchased 48 Tempo Sedans from Al Eames Ford raises an interesting question. When a purchase order places an order for 13 Sedans such as P.O. #57132 did, and it has a \$400 discount per unit if paid within 21 days, does the 21 day limit apply to each portion of the delivery or to the date the entire delivery has been completed? If the conditions of the purchase order provide for partial payments based on the vendor providing an invoice for a portion of the number of vehicles ordered and if that invoice lists 10 units by VIN number and one of those units is delivered twelve days after the first nine, which delivery date sets the time limit for making payment within 21 days? (See 1190089, two of three documents - invoice dated October 18, 1985). As complex as this is, it appears that the problem was resolved by Finance Accounting simply authenticating delivery dates with the Senior Buyer at Purchasing via telephone (See Partial Payment Voucher No. 94797). The net result of all this was that the City lost discounts which were significant in dollar amount. It would probably have been possible for the City to take this discount based on the date delivery for the invoiced items was complete. A better procedure might be that any interpretation to the discount provision of such a purchase be made by the Purchasing Agent only, and that no forfeiture of discounts on a major purchase be allowed unless approved by the Purchasing Agent in writing.

Please contact Ellis Jones at x5522 if you have any questions on the attached material.



JAMES R. DANIELS
Director of General Services

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